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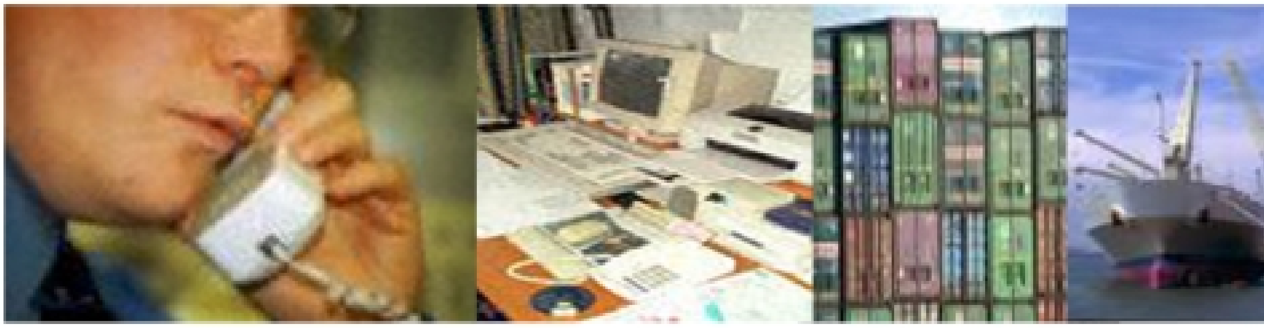

Survey on Uses of Information & Communication Technology By Indonesian SME Exporters

Case Study: Medan, Bandar Lampung, Jakarta, Bandung, Yogyakarta, Surabaya, Denpasar, And Makassar

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FOREWORD

This survey of Internet and communication technology is aimed to illustrate the profile of Internet and communication technology used by Indonesian small and medium enterprises exporters. Main reasons for conducting this survey are: *first*, to learn the level of ICT uses by the business communities, especially those who were dealing with the international market and to see whether there serious effort by the business communities of facing the global market challenge. The uses of global communication are also probably one of the indicators on how international interactions between businesses have occurred among the SME exporters in Indonesia.

The second, and equally important is the domestic challenges of the government and business communities on facing the biggest policy ever put forward by the Indonesian over the last 50 years. Decentralization or the regional autonomy bill applied since January 2000, is a challenges as well as an opportunities where, the Indonesians will lay their future and it is up to them whether they can achieve the main objectives to increase economic performance in regions and national level.

This objective of the survey is to obtain information and perceptions of the SME exporters regarding their level of uses of ICT and their perception on the regional autonomy bill. The research team would be very pleased to obtain inputs from readers of this report, as it will enrich the finding and conclusions put forward in this report.

The research team would like to express our humble appreciations to PEG - USAID for the support of the survey, to Mr. Suhartono for his recommendation to undertake the survey, and also to the enumerator’s team who have help the team for undertaking the interview and data gathering. Finally, the team would like to express our appreciation to Mr. James L. Mudge who initiated the study and to Mr. David J. Ray for his guidance to undertake the survey. The views expressed in this report are those of the author and not necessarily those of USAID, the U.S. Government or the Government of Indonesia.

The team wishes that the findings of the survey would convey a positive contribution to the SME development in Indonesia.

Research team,

Yadi S.A. Suriadinata
Principal Researcher

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1. INTRODUCTION

1.1. Background

The rapid development of communication and information technology in recent decades has provided changes in form of social, culture and economic relations to among the communities in the world. These so-called globalization changes are characterized by the ability of overcoming the space and time where human being to communicate or sending data each other easily and cheaply. The ease of these communication barriers has caused international economic activities become faster as the whole continents were just as wide as the computer monitor.

Furthermore, the development of information technology have enable very large amount of data and information organized in the web, which allow people to make decisions more accurately and timely. This rapid development of information and communication technology is a revolution to the social and economic interaction among the history of human kind as some preferred to call as **the new economy**.

Economic crisis has taught us a lesson that the flawed structure of economic in Indonesia relied on big-scales enterprises that have never capable to absorb the large labor force in Indonesia have end up an economic disaster. The structure of economic comprise of only few big-scale enterprises and millions of micro enterprises that is unable to grow and become a formal small and medium enterprise (SME) due to the economic and policy barrier. It is already too late when the government realized that the largest employments were actually provided by the informal sector of the SME. Study by USAID and other institution indicated that the majority of SME in Indonesia consist of SME without format status, due to the barriers created by the bureaucracy and illogical policy of the government.

The fall of rupiah prior to the economic crisis have also open up the government view of the importance aspects of encouraging export on resources based product and this type of export commodity were mostly carried out by the SME. However, the SME were experiencing lots of problems in undertaking these export activities. Firstly, is the bureaucracy barrier concerning in obtaining business license and permits and high business costs created by the bureaucracy. The other is the implementation of the new regional autonomy bill starting on January 2000.

Furthermore, there is a crucial need of allowing the business and the communities to keep pace with the global information era through use of the Information and Communication Technology. In the context of the situation mentioned above, the government of Indonesia has asked the support of PEG-USAID to learn and exercise means to development the SMEs exporters in Indonesia. This study will look into the uses of ICT by the SME exporters and also to obtain information of their perception of the implementation of the new regional autonomy bill (U.U No. 22 and 25 year 1999) in 8 big cities in Indonesia.

1.2 The Objectives

The purpose of this study is to obtain information on the:

1. Incidence of computer use by exporters
2. Incidence of Internet use by exporters
3. Degree to which exporters are using the Internet
4. The impact of decentralization on the business climate for SMEs

1.3 Description of the Study

To survey SME exporters' use of ICT in eight (8) cities:

1	Medan	5	Yogyakarta
2	Lampung	6	Surabaya
3	Jakarta	7	Denpasar
4	Bandung	8	Makassar

1. The survey gathers information from between 30 to 50 SME exporters in each city using questionnaires and direct interviews by the enumerators. Selected enumerators from local NGOs with SME work experience were assigned to undertake the interviews in each city. The field coordinator assisted the selection of enumerators based on survey requirements and training on the survey objectives.

2. A field-test of the questionnaire is done using five to ten exporters in Jakarta, followed by adjustments to the questionnaire.

3. The questionnaire have two main sets of categories, ***first: the SME's identity***, such as: type of business, business turnover, legal status and type of exporter (direct or indirect). ***Second, the SME's response***, including: input and output markets, use of computers in the business, SME awareness of the Internet, and the degree of Internet utilization for business by the SME. Data were collected on the impact of decentralization upon the business climate. Data from each city were collected and organized using a simple statistical method to analyze the distribution and frequency level of each category.

4. A cross tabulation data method is used to determine relationships between SME identity and SME responses with regard to the use of the Internet for

business, and between different SMEs identities and responses. Furthermore, cross tabulation data between different cities and different SMEs were undertaken to explore the use of the Internet by different categories of SME in different places.

1.4 Methodology

This study is conducted to describe or take a picture on how the small and medium enterprise-exporters use computer and Internet to support their business activity. By describing or taking a picture only, this study is, of course, unable to answer the questions that expect the information on definite amount, type of business, and scale of business of the small and medium enterprises-exporters in using the computer and Internet.

However, the description or picture found in this study are sufficient to provide information and as a base in preparing the policies related to the development of export performance by small and medium enterprises and policies on the development of information and communication technology as one of the main infrastructure in business activity.

The method applied in this study is descriptive analysis from primary data obtained through direct interview with exporters and secondary data available in the area where this study was conducted. The manipulation or data processing obtained in the survey was done by cross tabulation of the respondent’s answers (small and medium enterprises-exporter) upon the questions as put forward through the structured questionnaires.

The study’s survey was conducted in 8 big cities throughout Indonesia, namely, Medan, Bandar Lampung, Jakarta, Bandung, Yogyakarta, Surabaya, Denpasar, and Makassar. All are the capital cities of provincial and they are considered as cities having high export performance, and having Internet network. In those cities, the total small and medium enterprise-exporters being interviewed were 50 enterprises under the even distribution of the present type of business that is agriculture, manufacture, trade and other services.

Apart from analyzing the use of computer and Internet rate by small and medium enterprises-exporters, this study also observed the impact of regional autonomy or decentralization implementation as it is applied since January 1st, 2001. Analyzing on the impact of regional autonomy implementation, information from small and mid enterprises was gathered on what their perception about the regional autonomy implementation. The analysis on regional autonomy against SME-exporters is also performed by using cross-tabulation from the answering frequency upon the questionnaires.

2. REVIEW OF INTERNET DEVELOPMENT, SMALL AND MEDIUM ENTERPRISES (SMEs) AND REGIONAL AUTONOMY IN INDONESIA

2.1. Information & Communication Technology (ICT)

At the beginning, Internet is a technology developed for military defense purpose in the United States of America military headquarter Pentagon, In its advanced development, Internet technology eventually used widely by the world community, and since then it had been growing very rapidly. The computer technology prior to the Internet era were only used for words and data processing. However, the combination of computer and Internet technology were now used as the backbone of the world wide web network.

Through this web network, the computer user using Internet connection perform data and information exchange throughout the world without distance barrier. The requirement needed to be connected to this world wide web network simply a telephone line or satellite through and the Internet service provider (ISP) to bridge the telephone line and the world wide web network.

The development of World Wide Web network is growing very rapidly in the developed nations due to the availability of the availability of infrastructure and utilities to support the network, using very low cost digital data exchange via a file transfer protocol (FTP). This digital data transfer is then used to transfer data through email (electronic mail) where previously were transferred through facsimile and courier services.

The information and communication technology keeps on developing, followed by the innovation of HTML (*hyper text markup language*). The personal or company web site can be developed using HTML to as an illustration window to present visible information accessible from every part of the world. Through this web site the presented information can be seen from anywhere, so the efforts to find out information can be done virtually through the computer monitor. The web site is mostly used for information and promotional media, and the further progress is on-line transaction for comers and banking.

The development of Internet currently is not only enjoyed by the developed countries but also in the developing countries. A survey conducted by Data Quest assumed that the Asian Pacific region, included Japan in 2003 will be the biggest Internet user in the world, with a total of 183,3 million customers. This total number is bigger then the United States of America of having 162,8 million customers and West Europe with 162,2 million customers.

Meanwhile, the total business value of information technology by 1998 was US$ 274,3 million. And then increased in 1999 with total value of US$ 638,4 million. Then in 2000 about US$ 772,9 million and it is estimated that by 2001 the total value would be about US$ 982,4 million, and in 2002 estimated will be close to US$ 1,2 billion.

2.2 Development of Internet & Communication Technology in Indonesia

Development of Computer and Internet

The user of Internet in Indonesia is classified into two categories, the Internet subscribers of ISP and non-subscriber. Internet subscribers of ISP are considered as the permanent subscriber Internet user, while non-subscribers of ISP are those accessing Internet through Warung Internet (warnet). And in Indonesia the biggest Internet user group is the non-subscribers of ISP (See Table 2.1. below).

Computer in Indonesia is still considered as luxury goods especially since the economic crisis and the fall of rupiah, even after government have lift computer from the luxury good lists quite recently. The majority of the warnet users considered that the advantages of using warnet is because they don't have to pay telecommunication fee, spend money on computers, pay the subscriber fee to the ISP. Based on the data issued by the warnet association **'natnit.net'** web site, the total existing warnet at present is approximately 1.151 kiosks

Table 2.1. Customer and User of Internet In Indonesia (1996 – 2001)

Year	Customer	User	Remark
1996	31.000	110.000	
1997	75.000	384.000	
1998	134.000	512.000	
1999	256.000	1.000.000	Estimation
2000	384.000	1.450.000	Estimation
2001	511.000	1.980.000	Estimation

Source : apjii.or.id

At present are about 147 licenses of ISP issued by the government, however; only 55 companies were in operational in the big cities. This situation has created competitions among the ISP and have reduced subscriber fee to the lowest level, which is beneficial for the costumer. According to the **Indonesia Internet services association (APJII)** on February, 2001, only 10 ISPs were the choice of 80% customers, and among them 4 ISPs are with the biggest with 49 percent of the existing customers. The tens ISPs were respectively idola.net.id, centrin.net.id, cbn.net.id, dnet.net.id, indo.net.id, indosat.net.id, mega.net.id, wasantara.net.id, rad.net.id, dan telkom.net.id (see Table 2.2, below). Furthermore, of these tens ISPs wasantara.net.id has the widest branches to over 133 cities in Indonesia, second in line is tekom.net.id with covers 125 cities in Indonesia. The services provided by these ISPs were e-mail, browsing tools, file transfer protocol (FTP), Internet relay chat (IRC), cyber café, web hosting, and web page design.

Table 2.2. The Map of Indonesia ISP Market by 2000 - 2001

ISP	CUSTOMER (subscribers)
LinkNet	100.000
TelkomNet	100.000
IndosatNet	41.000
CBN	35.000
IndoNet	15.000*
RadNet	>20.000
Centrin	>20.000
Dnet	>10.000
MegaNet	>10.000
Idola	4.000**

Sourace: APJII
Note: *) for Jakarta only **) majority of company

However, the Internet utility rate in Indonesia is still lower compared with other country in Asia. This is indicated by only 2 million people or less than 1 percent of the total 210 million population. Comparison of the Internet user in Indonesia and the other Asian countries can be seen in the following table.

Table 2.3. Total Internet Use Per Hundred Populations in Several Asian Countries

Country	Internet Penetration %
Singapore	46.0
South Korea	43.0
Taiwan	36,4
Hong Kong	29.5
China	23.0

Source : Indonesia Cyber Industry and Market, 2001

The total Internet user in Asia Pacific at the moment 25.7 million user and it is predicted to be 141 million users by 2004, while in Indonesia it is estimated will reach by 8 million. This low of Internet utility rate in Indonesia is among others is due the low of computer ownership. Based on a study conducted by International Data Corporation indicated that in several big cities in Indonesia there are only 5 computers only per hundred person, and this is much lower and some time there are no computer in rural area. Such condition is much different compared to Malaysia, at the moment there are 8 computers per one hundred households and Philippine 4 computers per 100 households.

Development of Telephone Lines in Indonesia

Apart from the low rate of computer ownership, the other reason for low Internet user in Indonesia is the availability of telephone lines. Total capacity of telephone line (SST) for personal use at present is only 8,46 million (report of PT. Telkom second quarter of 2000), with 7,58 million total lines installed and 6,2 million subscriber. This amount is excluded the existing 320.000 unit public phone booths. Under this condition, there are only 3 telephone lines per 100 persons or 100 persons compete for 3 telephone lines (See Table 2.4).

Table 2.4.   Fixed Line In Indonesia in Year 2000

Indicators	Telkom Division	KSO Division	Total
Capacity	4.533.167	3.929.204	8.462.371
Installed	4.057.693	3.525.655	7.853.348
Subscribers	3.336.823	2.871.024	6.207.847
Public Phone	202.257	125.675	327.932
Line in Services	3.539.080	2.996.699	6.535.779
New Lines	282.088	173.498	455.586

Source : PT Telkom, 2nd quarter 2000

Table 2.5. Telephone Lines in Asia and USA

Country	Telephone Mainlines		Mobile phones per 1000 people 1999	International Telecommunication	
	Per 1000 people 1999	In larger city Per 1000 people 1999		Outgoing traffic minutes per subscriber 1999	Cost of call to US $ per 3 minutes 1999
China	86	294	34	18	6.70
Hong Kong	576	576	636	703	2.60
South Korea	438	521	500	43	1.80
Japan	558	814	49	28	2.10
Singapore	482	182	419	719	1.70
India	27	131	2	18	4.20
Philippine	39	146	38	45	4.80
Thailand	86	371	38	57	2.50
Malaysia	203	282	137	156	2.80
Indonesia	29	163	11	41	4.20
USA	664		312	155	

Source : World Bank

The capacity of telecommunication lines in Indonesia is quite low compared to the other countries in Asia. Table 2.5, above, indicates the combination of availability of phone line and high cost of call per minute has contributed to the low international ongoing traffic in Indonesia,

Development of Web Sites in Indonesia

Though the availability of telephone lines is constraint for the development if Internet, however, the demand of web page address- indicated the companies or individuals intended to develop web page in the Internet either for Indonesia or International address were quite high. Total protocol Internet address using Indonesia address as registered in Indonesia Network Information Center (IDNIC) by 2000 are 4265 (see table 2.6 below) and it is estimated to reach 8000 addresses in this 2001. Meanwhile, the demand of registration through International address is also high and at the moment is served by three internationally affiliated companies respectively by .com, .org, and .net.

Table 2.6. Total Web Sites Address under the Indonesia Code

Domain	Numbers
co.id	2.159
Web.id	723
or.id	693
Sch.id	532
ac.id	78
net.id	48
war.net.id	31
mil.net	1
Total	**4265**

Source: Indonesia Cyber Industry & Market, 2001

2.3. Small and Medium Enterprise Exporters in Indonesia

Since the economic crisis, the Small and Medium Enterprises (SME) have become the major attention of the government and other international agencies. This major attention from the government is not only due to the fact that SME are more flexible to overcome the financial crisis, but more importantly because the SME were also the main sources of employments in Indonesia. As the government is now really working hard to help the development of SME, however, on the other hand the main sources of barrier to the development of SME were also in the hand of the government itself.

This situation is mainly due to; first, government will always come up with protection and support policies that are contradicting with the needs of the SME. In most case the protection and support policies were always end up given to the one that actually does not require any support from the government. Furthermore, the extensive job opportunity created by SMEs, are extremely important to accommodate the growing unemployment prior to the collapse of the big companies. Total numbers of SME in Indonesia in 1996 were about 39 million units, comprising of 38,895,262 small-scale enterprises and 41,173 medium scale enterprises according to BPS, 1999 (see tabel.2.7 below).

In 1994 total SME in Indonesia are more than 33 million business units constituting 99,8 percent of the total business units existing in Indonesia. Unfortunately, those total small and medium enterprises contribution only 38,9 percent to the gross domestic product (GDP).

Table 2.7. Development of Total Small Enterprise in 1992 and 1996

SECTOR	1992	1996
Total Small Enterprises		
Agriculture	21,298,843	22,533,931
Mining, Digging, Gas And Water	104,242	204,903
Manufacture Industry	2,484,948	2,747,670
Trade / Housing	5,825,602	9,433,849
Food /Hotel/Service	3,729,265	3,974,909
Total	**33,442,900**	**38,895,262**
Total Medium Enterprises		
Agriculture	1,247	1,690
Mining, Digging, Gas and Water	128	800
Manufacture Industry	5,221	10,945
Trade / Housing	8,251	13,302
Food /Hotel/Service	1,546	14,436
Total	**16,393**	**41,173**

Source: Department of Industry and Trade R.I

In term of the role of the SME in the export performance contribution of the SME in the export value of non-oil and gas were only 11,1 percent, this much smaller in term of the entire export performances (include oil-gas exports) to only 6,2 percent. This figure is much lower compared to the SME contribution in other Asian countries, such as Taiwan (65%), China (50%), Thailand (50%), Vietnam (20%), Hong Kong (17%), and Singapore (17%) (Sanjaya, AAB, 1998).

2.4 Implementation of the Regional Autonomy Bill

Economic development in Indonesia for the last 50 years has not achieved the objective to increase welfare of the people. As the government finally realized that central planning have fail to provide better economic condition, the government convert the central planning policy to the decentralization planning policy by establishing new policy on authority is then materialized in the new Regional Autonomy Bill (UU No. 22 and 25 year 1999) in active by January 1^{st} 2001. The main objectives of this regional autonomy bill are to transfer some of the the authority and fiscal to the regional.

The main issues of the regional autonomy bill, is to enable regional government utilized and allocated the regional resources to the benefit of the regional communities. Regional planning should be under the decision of the regional communities needs rather then what the central government needs.

Unfortunately, the implementation of the regional autonomy is taking place under the uncertainty of the national politics and during the worse economic crises occurred in Indonesia. It is also clearly seen that the main issues of regional autonomy were overlapping with political agenda in the central government. Therefore, this decentralization process were also have created the disintegration threat in several regions. This disintegration threat is mainly due to the unequal distribution of development occurred during the previous central planning policy. Furthermore, regional resources previously were extracted from the region with out proper composition to the regional communities and development.

There are still no sign of economic recovery after almost 20 months prior to the implementation the regional autonomy bill. In most of the off Java regions, the local government is having serious problem on budget allocation, due to their very small local government revenues. The only possible sources of local government income to date is by establishing additional taxes, local retribution and levies to the communities, especially to the business. The other ironic, consequences are there is a tendency on further degradation of environment caused by extraction of the natural resources.

Regional government sometime have to deal with having to choose between providing conducive business climate and have to faced with insufficient budget for the regional needs or to enforce additional income by enforcing new taxes and levies to the business that will also end up with slow regional economic development.

3. SME EXPORTERS: PROFILE, USES OF ICT AND PERCEPTION OF REGIONAL AUTONOMY

3.1. Profile of SME Exporter Respondents

The interview conducted in this study is to collect the data of small and medium enterprises-exporter from 8 big cities in Indonesia. The total of respondent surveyed are 417 SME exporters with the total number of SME in each city as follows: Medan (53), Lampung (50), Jakarta (63), Bandung (50), Yogyakarta (50), Surabaya (50), Denpasar (51), dan Makasar (50).

Of the 414 responses given by SME exporter, the types of business were divided into three categories, namely: industry/manufacture (52,2%), agriculture (9,2%), trade (38.3%). The legal statuses of the enterprises are as follows: Limited Liability Company, Ltd., Inc./ PT (52,4 %), Limited Partnership/CV (23,9%), Cooperative (1,7%), Trade business (UD) and others (22%).

Based on 389 answers given by the SME exporter it is found the total employees were as follows: total employees 1-6 persons (13,9 %), total employees 7 – 50 persons (45,2 %), total employees 51 – 100 persons (16,5 %), total employees 101 - 200 persons (12,6 %), total employees 201 – 499 persons (9 %), and total employees more than 500 persons (2,8 %).

Based on the status of share ownership, the SME exporter (404 respondent’s) answers were mostly under the status of private/national-owned enterprises (90,3%), foreign-owned enterprises (2,2%), and joint-venture (7,4%).

In terms of the per annum turnover, of the 345 answers, the SME are consist of: 36,6 % of enterprises with turnover less than 200 million per annum, 38 % of enterprises with turnover 200 million to 1 billion per annum, 17,7 % of enterprises with turnover 1 to 10 billion per annum, and 7,5 % of enterprises with turnover more than 10 billion per annum.

The survey is also indicated that based on the category of the modus of export, from the 412 responses by the SME, 24,8% were under the non-direct exporter categories, while those of the direct exporter are 75.2 %.

Table 3.1. SME Exporter Profile in 8 Cities

Description		**Total**	**%**
Type of business	Industry/manufacture	216	51,8
	Agriculture	38	9,1
	Trade/comers	160	38,3
	No answer	3	0,7
	Total	417	100
Total employee	1 – 6 employee	54	12,9
	7 – 50 employee	176	42,2
	51 – 200 employee	113	27.1
	201 – 499 employee	35	8,4
	>500 employee	11	2,6
	No answer	28	6,7
	Total	417	100
Legal status	Limited Company	217	52
	Limited partnership	99	23,7
	Cooperative	7	1,7
	Other	91	21,8
	No answer	3	0,7
	Total	417	100
Share ownership	National	365	87,5
	Foreign	9	2,2
	Join venture	30	7,2
	No answer	13	3,1
	Total	417	100
Per annum turnover	< Rp 200 million	127	30,5
	Rp 200 – Rp 1 billion	131	31,4
	Rp 1 – Rp 10 billion	61	14,6
	> Rp 10 billion	26	6,2
	No answer	72	17,3
	Total	417	100
Mode of Export	Direct exporter	310	74,3
	Non-direct exporter	102	24,5
	No answer	5	1,2
	Total	417	100

Computer User And Computer Ownership

Approximately 85,5% of the SME exporters have used computer to support their business activity, while the remaining 14,5% have not used computer in their business activities. The total computer ownership comprise of: 75 % from 1 to 5 computers, 6 to10 computers (16%), 10 to 15 computers (3,2%), and those having more than 15 computers (4,9%).

The degrees of computer uses by SME exporters are as follows: 60 % stated to use computer for management and Internet activity. While 20 % stated to use computer for the company management only, and 4.1 % is for correspondence only. Furthermore, only 31,2% of SME exporter used local area network (LAN) and the remaining 57.3 % ware using stand-alone computer.

Telephone Lines

Most of the SME exporter have telephone lines, however, the number of phone lines used by the SME are as follow: 1-3 telephone lines (74.6%), 4-7 telephone lines (19.7%), 8-11 telephone lines (1.2%), the rests, 1,7% have more than 11 line. Furthermore, approximately 58,2 % SME indicated that that it is difficult for them to obtain additional, while the remaining 41,8% stated that there is no problem in obtaining additional telephone lines and.

In the context of the phone line usage, 22.5 % of SME exporters indicated that they have used special phone lines to access the Internet, 28.3% used the phone lines for Internet access and fax machine, and the remaining 22.8 % used the phone line for all purpose of communication (telephone, facsimile and Internet).

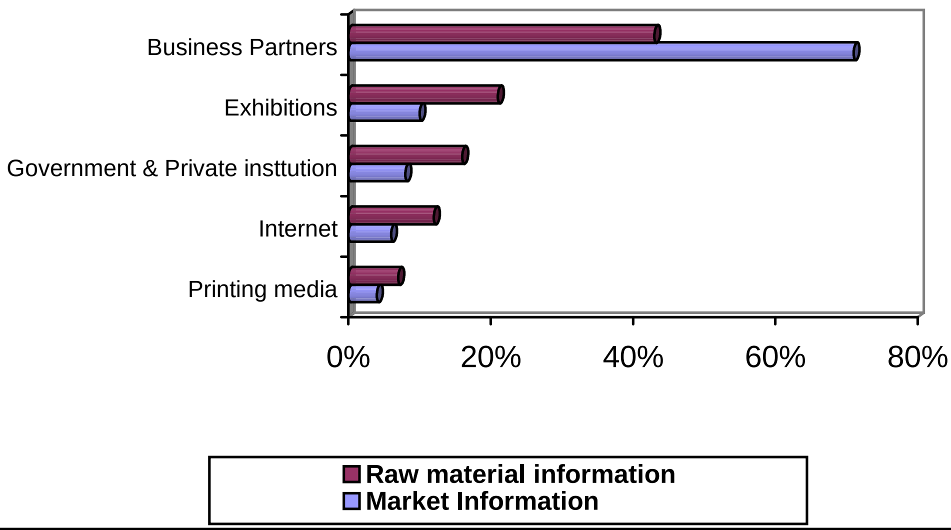
Table 3.2. Uses of Computers and Telecommunication by SME Exporters in 8 Cities

Description		Total	%
Computer used	Yes	353	84,7
	No	60	14,4
	No answer	4	1
	Total	417	100
Computer ownership	1 – 5	254	60,9
	6 – 10	63	15,1
	11 – 15	11	2,6
	16-20	6	1,4
	20-25	3	0,7
	>25	8	1,9
	No answer	72	17,3
	Total	417	100
Uses of computer	Correspondence	17	4,1
	Administration & managements	84	20,1
	Managements & Internet	250	60
	No answer	66	15,8
	Total	417	100
Local Area Network	Yes	130	31,2
	No	239	57,3
	No answer	48	11,5
	Total	417	100
Number of phone line	1 - 3	311	74,6
	4 - 7	82	19,7
	8 - 11	5	1,2
	>11	7	1,7
	No answer	12	2,9
	Total	417	100
Problem to obtain additional lines	Yes	166	39,8
	No	231	55,4
	No answer	20	4,8
	Total	417	100
Uses of phone line	Internet only	94	22,5
	Internet and facsimile	118	28,3
	All purpose of communication	110	26,4
	No answer	95	22,8
	Total	417	100

Market Information

In the context of market information on buyers and raw materials, the SME exporters indicated that their business partner were the main sources of market information for the SME. Figure 3.1.1, shows that the other resources for market information is through promotions and exhibitions event, followed by government and private agencies, printing media and Internet (see figure 3.1.1.)

Figure 3.1.1 SME Exporters Sources Of Market Information



Based on the figure above, market information sources from the Internet are very low compared to the other sources. However, from the interview with the SME exporter discussed in the next chapter, the use of Internet for market information purpose is showing an increasing demand by the SME exporters. The SME also indicated that the use of Internet will help them to remove information barrier in the future, provided that the government set up policies on wider access on ICT.

Sources of Raw material

Figure 3.1.2. and Figure 3.1.3, below indicated that the main sources of raw material supply for the SME exporter were from their own surroundings areas. This gave stronger indication that the main export products of the SME exporter were the natural resources based product which is mostly produced by the local communities. The import content of the SME exporters raw material needs were mainly for the secondary material needs.

Figure 3.1.2 Supply of Raw Material of The SME Exporters

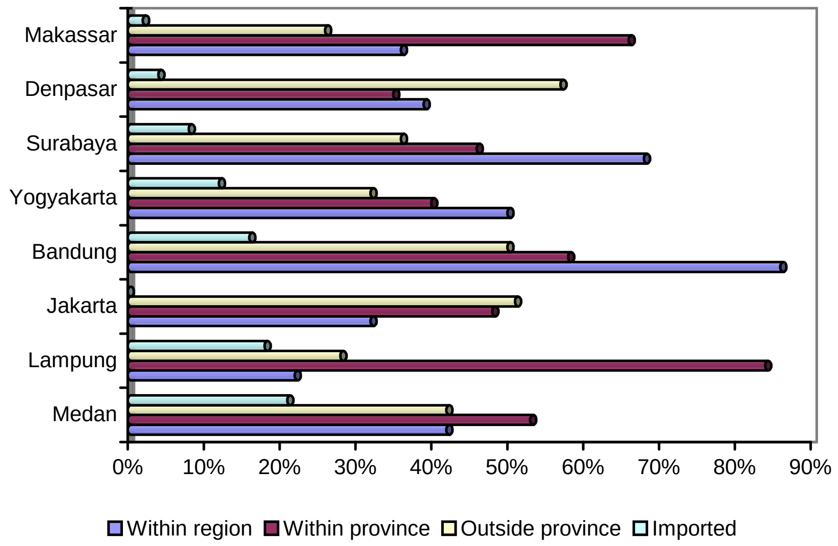


Figure 3.1.4, shows the local market destination of the product of the SME exporter. The SME in Yogyakarta and Denpasar have a wider market compared to the other cities, however most of the SME exporter in Lampung were selling their product for export and to the other provinces.

Figure 3.1.3 Flow of Raw Material From Different Island For SME Exporters

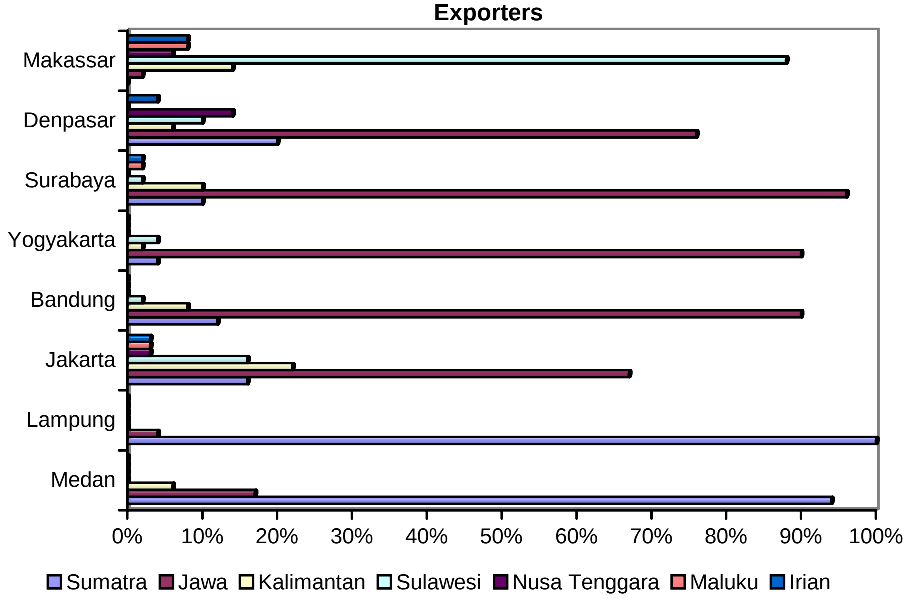
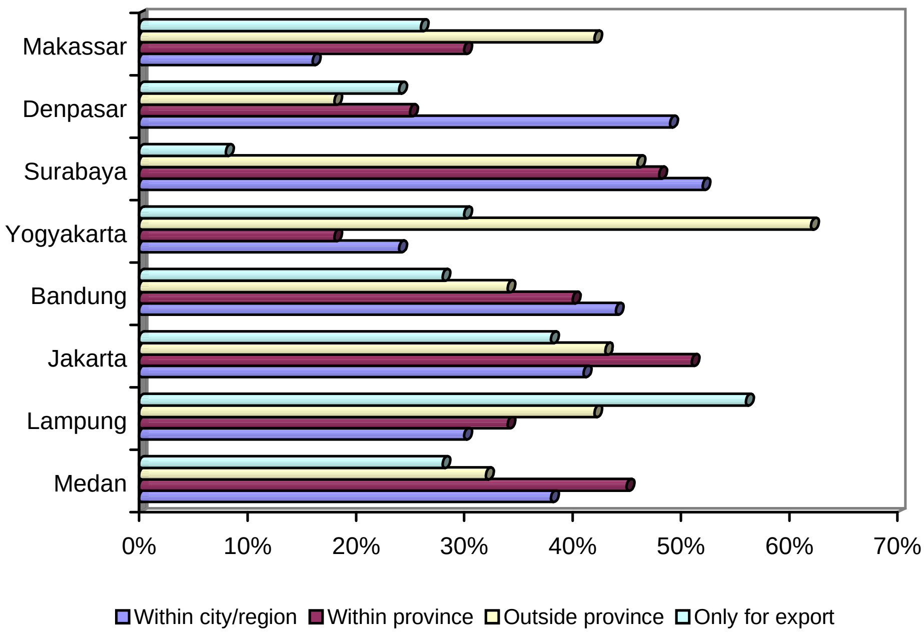


Figure 3.1.4 Market Destination of SME Exporters in 8 Cities

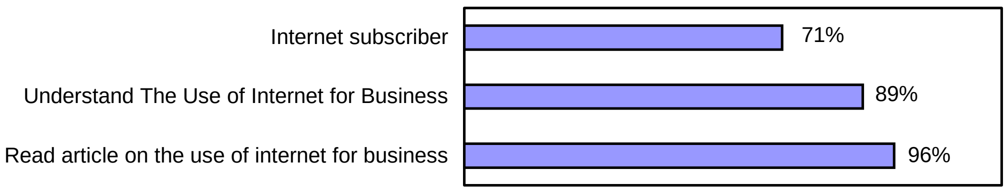


3.2. Use of ICT by SME Exporters

SME Exporter Awareness of Internet Use For Business

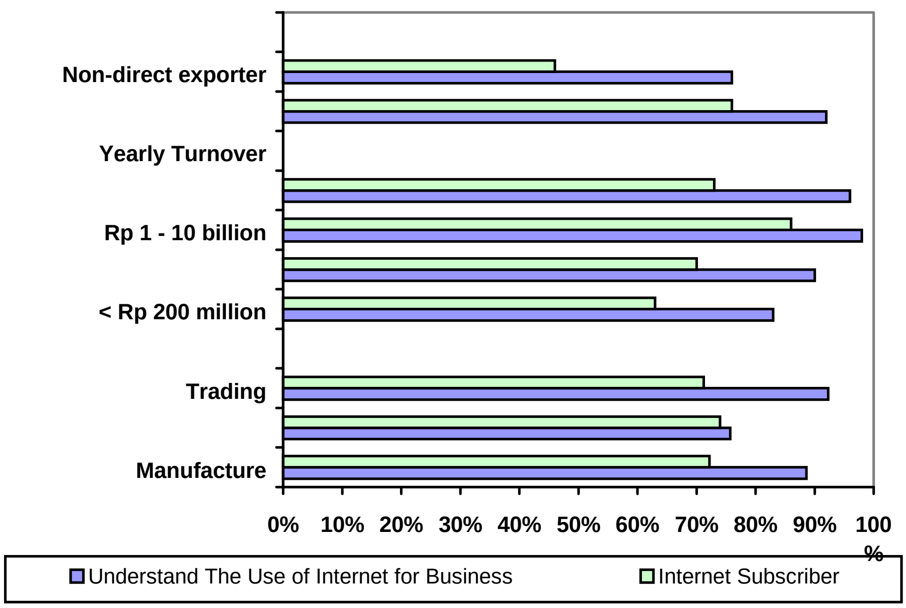
The rapid development of Internet in most of the big cities in Indonesia has made this information and communication technology as a common tool of business by SME exporters. Based on the survey, approximately 98% of the respondent indicated that they have read articles concerning the use of Internet for business purpose. However, only about 89% of them indicated that they understand the application of Internet for business, and meanwhile only about 71% of the SME exporters surveyed were subscriber of Internet (see Figure 3.2.1).

Figure 3.2.1 SME Exporters Responses on Information and Communication Technology



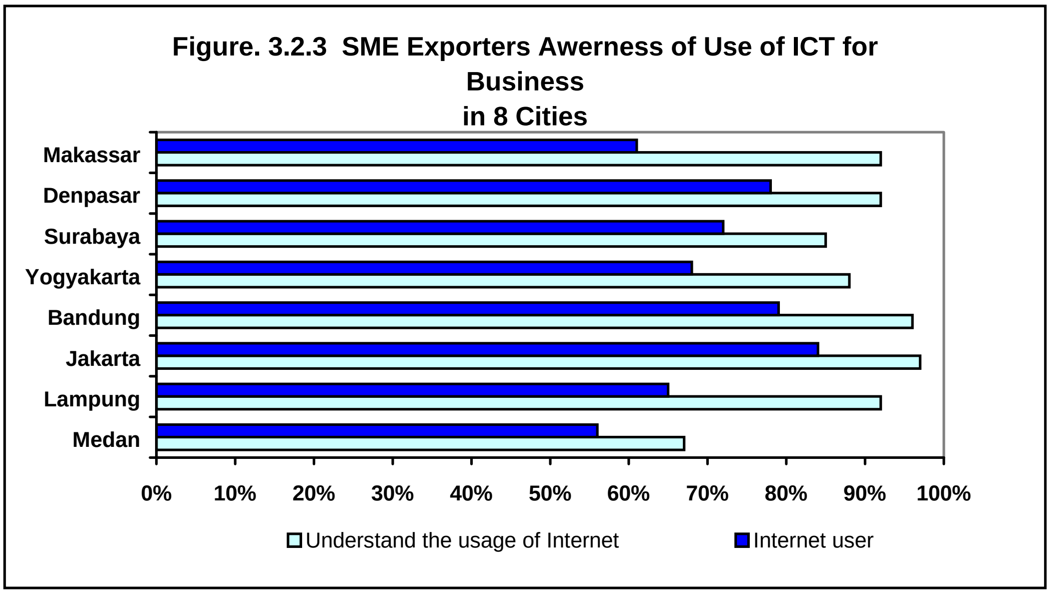
There are no significant different in use of Internet between different type of business (manufacture, agriculture and trading) categories of the SME exporters, however, the non-direct exporter SME were respondent with the lowest knowledge of Internet and the lowest Internet subscriber among all categories. Furthermore, form the graphic 3.2.2. (below), there is a tendency that the Internet subscriber of the SME exporter is lower among the smaller yearly turnover compare to the SME exporter with the bigger business turnover.

Figure 3.2.2 Internet Subscriber Among Different Categories of SME Exporters



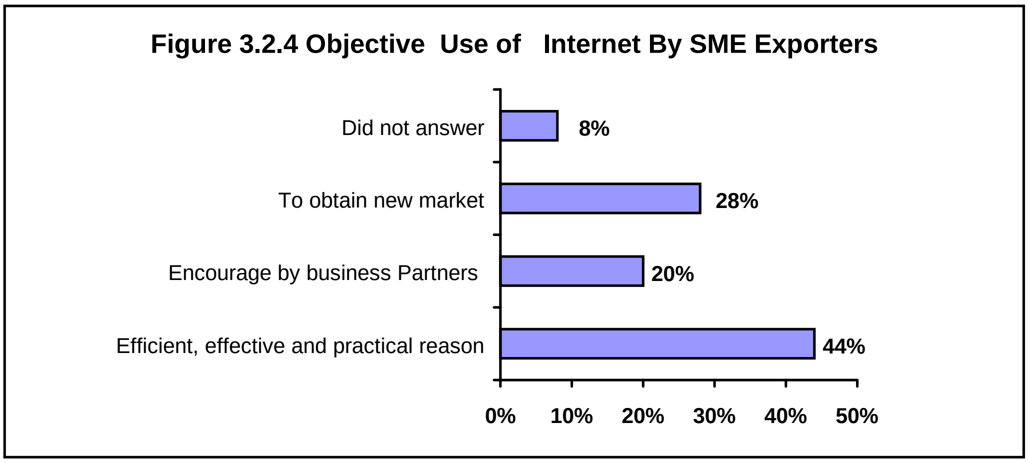
In the context of comparison between the 8 cities in this survey, the level of understanding on the use of Internet for business and number of Internet subscriber in figure 3.2.3. (below), indicated that the number of SME exporter in Bandar Lampung have the lowest level of understanding the use of Internet in business, and Medan has the lowest level on Internet subscriber. Meanwhile, the SME exporters in Jakarta have the highest level of understanding on the use of Internet for business and number of Internet subscriber between the 8 cities surveyed.

The rate of SME's understanding on the use of Internet for business were higher than number of Internet subscriber. However, as exporters it is very important for the SME to use the Internet for communication with their buyer, and the Internet is a more practical and efficient communication tool for the SME. The reason for use of Internet by SME exporters will discuss in the other part of this report.



Reasons for Subscribing Internet

Today, Internet has become media that manage business communication more practical, efficient and convenient. Based on the response given by the SME exporter, approximately 44% SME exporters indicated that Internet is more practical, efficient and easy to use for the business communication needs.



On the other hand 28% of the SME indicated that Internet were used for browsing potential new buyers (market) and 20% indicated that the reason on using Internet is due to the encouragement from their business partners (buyers) for better business communication, see figure 3.2.4. The decision to use Internet as information and communication media as indicated by the SME is due fact that the use of Internet have reduce communication, facsimiles and marketing costs.

Except the agriculture SME exporters, most of the SME exporters categories indicated that Internet were used mainly for browsing potential new buyer through the website. However, figure 3.2.5 below, also indicates that fulfilling to the demand from their buyers to use Internet as the means of communication is equally important for the SME exporters, because document and graphic file can be easily exchange through the Internet with less time and cost.

Figure 3.2.5. Responses From Different Catagories Of SME Exporters on Using Internet

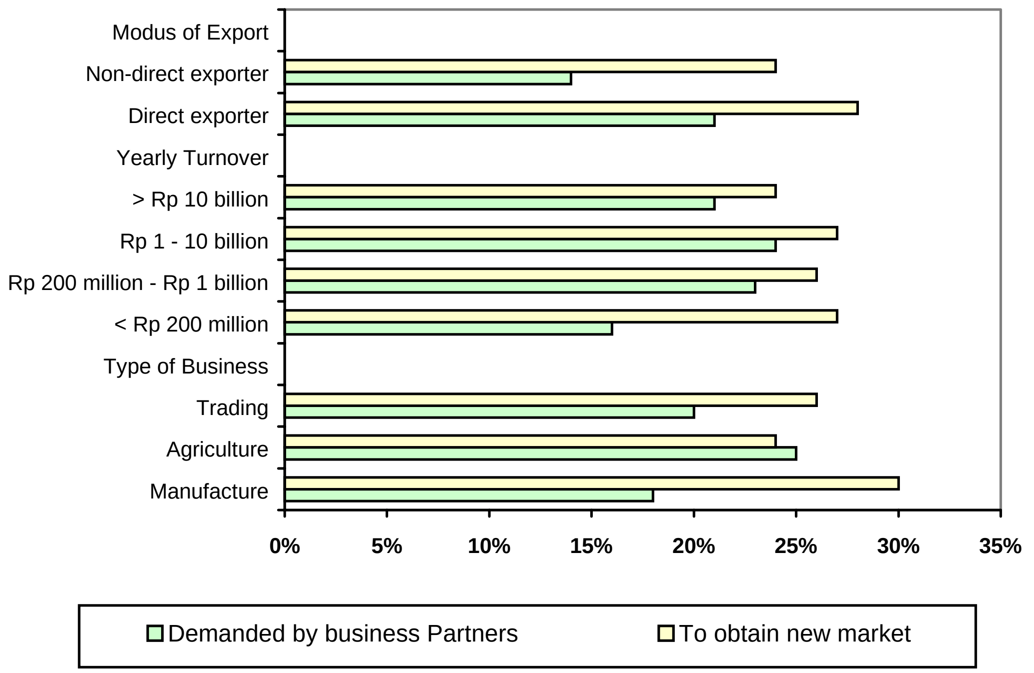
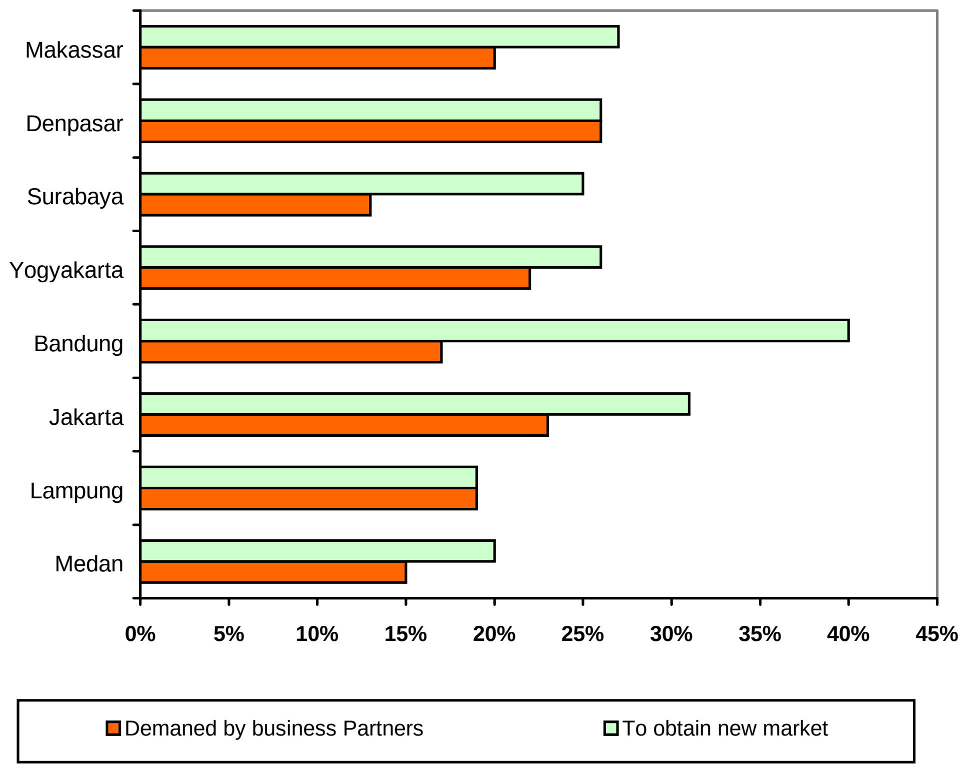


Figure 3.2.6. below indicated that the SME exporters in Bandung seemed to be the most active SME in searching for new buyer compared to the other city. However, the SME exporters in Lampung are the least active group for both reason on using Internet as discuss in the chapter.

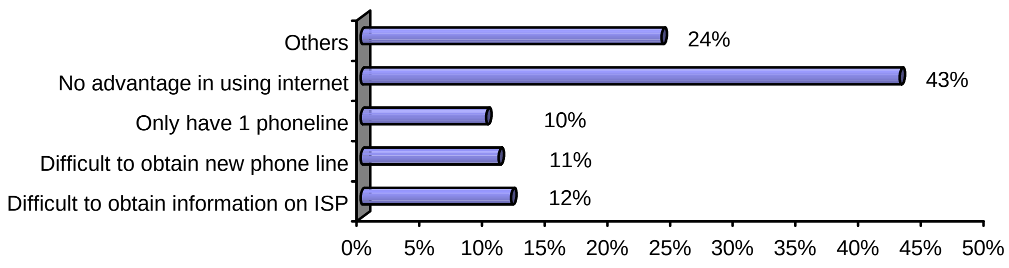
Figure 3.2.6 SME Exporters Responses in 8 Cities



Reasons for Not Using Internet

Based on the 29% of the non-Internet-user SMEs, 43% indicated that their business is running well without Internet and they could not find additional advantage of using Internet in running their business. Secondly, it is difficult to obtain information of the Internet provider (12%), thirdly, difficulty on obtaining phone line (11%), lastly, only have 1 (one) phone line for communication and facsimile transmission (see figure 3.2.7). The other reason as indicated by the SME is that they did not have the staff to understand computer and Internet, and to use Internet will require them to spend more money on equipment and staff.

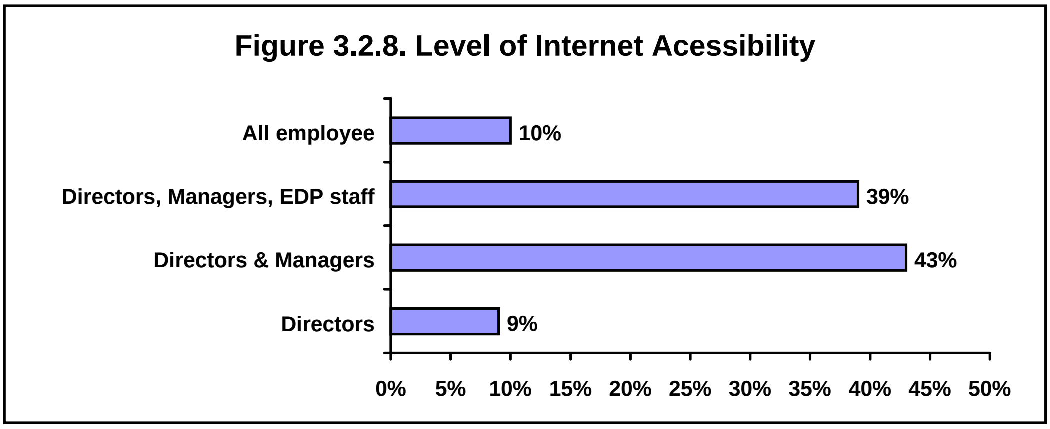
Figure 3.2.7. Reason for SME Exporter of Not Subscribing Internet



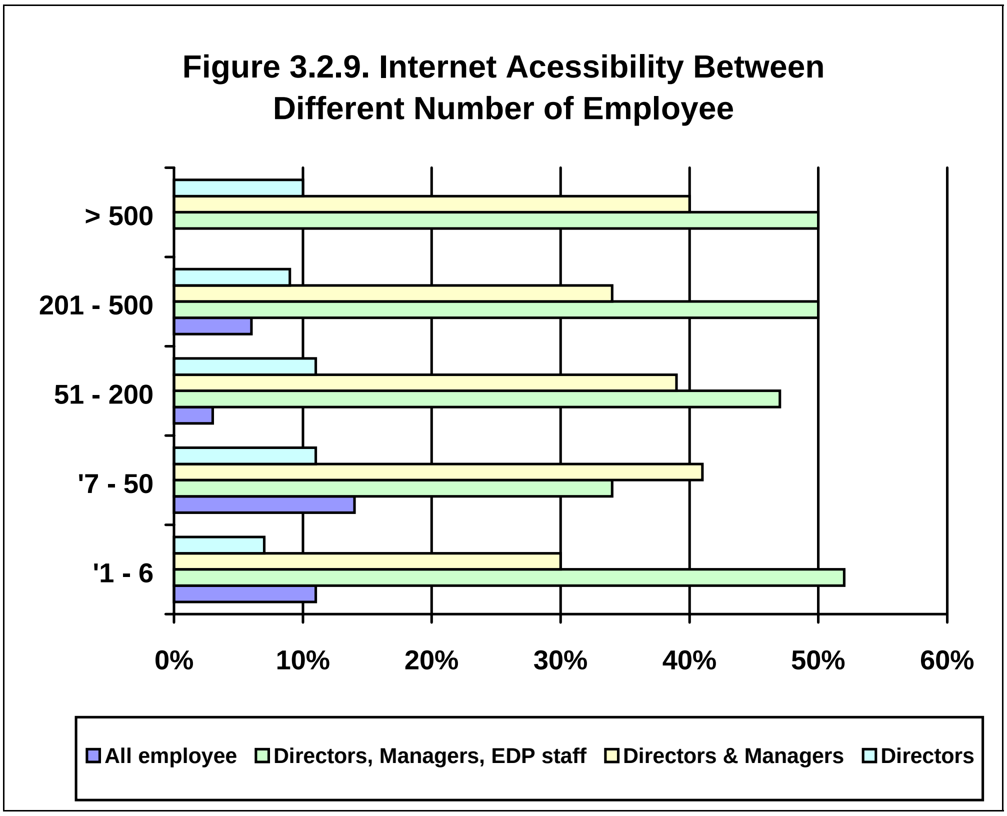
Accessibility of Internet by SME Exporters

There are several factors determining SME employee's Internet accessibility. First, is the availability of communication facilities in the company (total computer, total phone line and computer network or LAN); second, is the level of employee knowledge computer and Internet; and third, is the availability of infrastructure to support as the communication facilities (telephone line and Internet provider).

As indicated in Figure 3.2.8 below, Internet users among the SME exporter employees were quite high on the middle level managers (43% director and managers and 39% board of director and manager and electronic data processing staff). Only 10% of the SME exporters provide Internet access to all employees in the company.



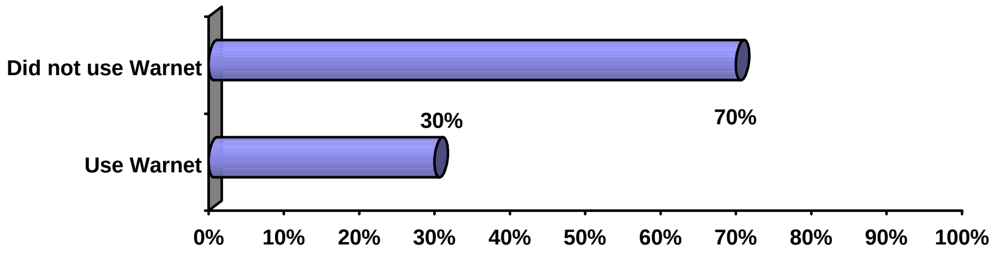
Similarly in figure 3.2.0 below, there are no significant differences on the level of Internet accessibility on the different size of SME exporters number of employee. This is due to the fact that the level of employee Internet accessibility is determined by the level of computer technology used by the SME.



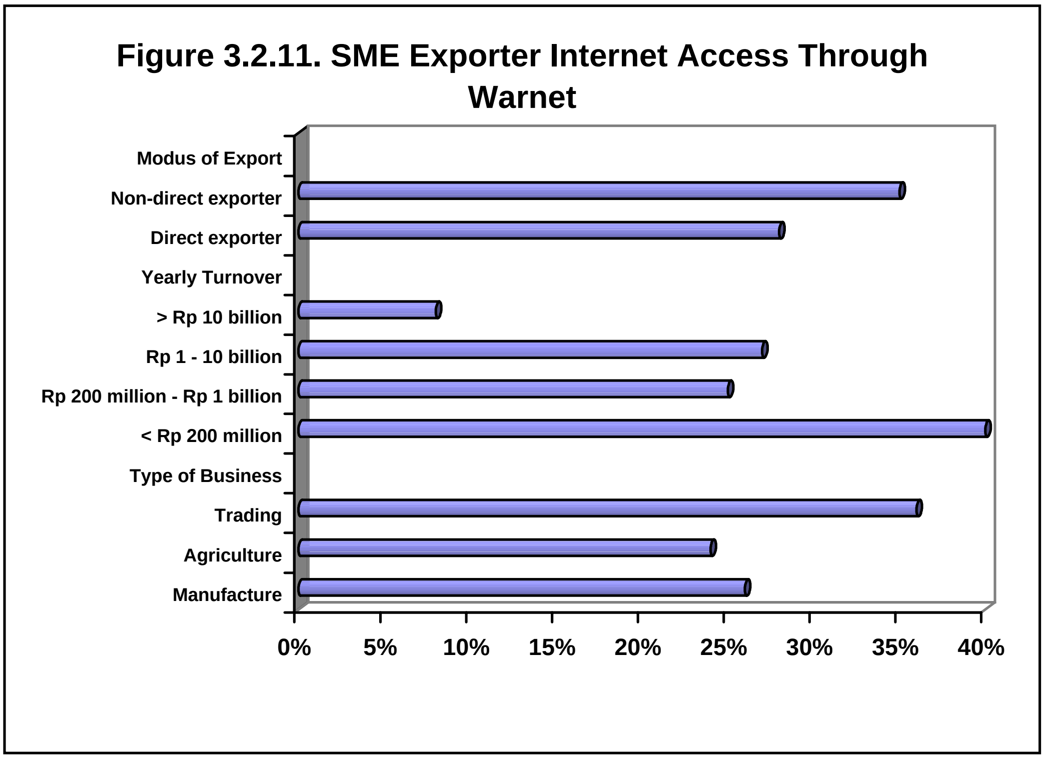
Warung Internet (Warnet)

The other phenomena of ICT development in Indonesia, especially in the big cities, are the booming of Internet kiosk (Warnet) and Internet café. The main reason of this warnet booming is due to the fact that there is a wide gap between the spread of global information among the community and the purchasing power ability on to acquire ICT equipments. Figure 3.2.10, presented below showed that approximately 30% of the SME exporters were using warnet as their means of communication with the buyer.

Figure. 3.2.10. SME Exporter Used of Warnet



The cost of Internet access offered by warnet is quite cheap compared to ISP subscriber fee and the cost of phone communication. The main users of warnet were SME with below Rp 200 million yearly turnovers due to efficiently reason, and the high mobility trading SME exporters to maintain communication with their buyer or office while traveling (see figure 3.2.11.).

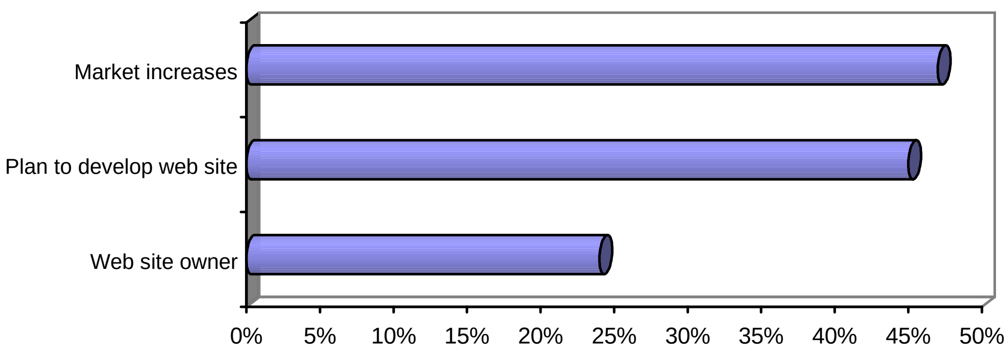


Uses of Internet

Internet were used by SME exporters as a communication media, to browse market information and raw material, promotion and online transaction purpose. However, the issues of online transaction are excluded in this survey. As information and promotion media, the website is the widest and cheapest mean of promotion. The web page can be accessed by people all over the world simply through an access to the web page. This is one of the reasons that a web site is the most efficient promotion tool for SME.

Nevertheless, outcome of the survey indicated that there are less then 25% of the SME exporters that possess their own web page. However, these SME exporters claimed that they attain the advantage of increased sales prior to having their own web page. There also significant interest by the SMEs to develop web page in future year (see Figure 3. 2. 12.). The main reason stated by the SMEs for not having their own web page is because it would require them to have special staff to develop the web page and maintain updated information on the web page

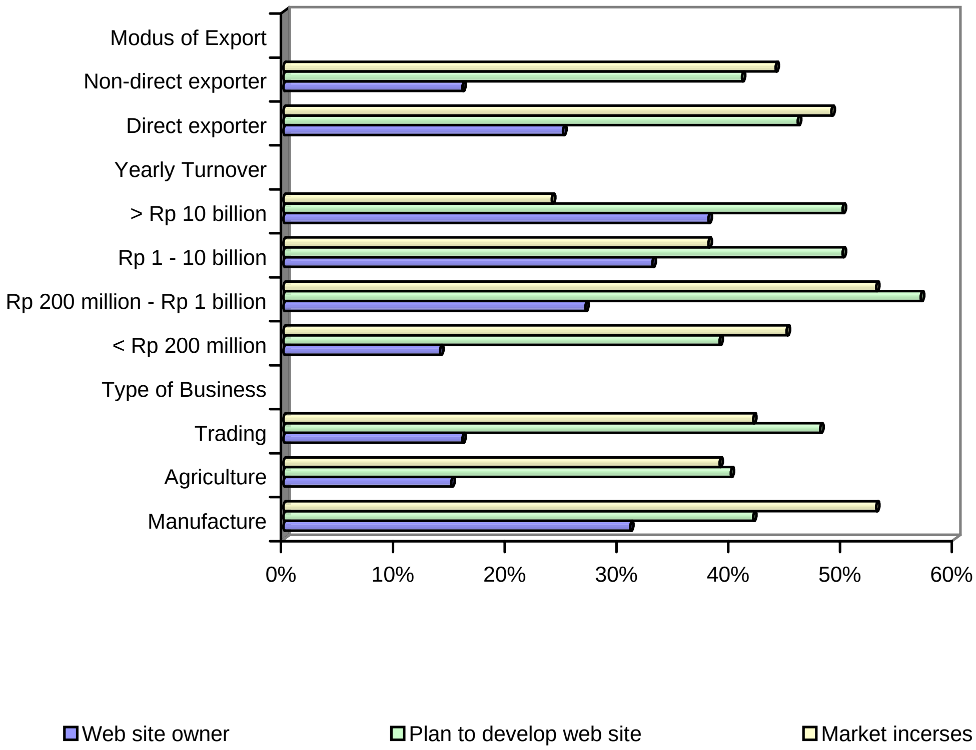
Figure 3.2.12. The Impact of Having Web Site for The SME Exporters



Manufacture SMEs are the biggest web page owner compared to the other SME exporters categories. However, even currently the trading SMEs were the smallest web page owner, they are also the one having biggest interest to develop their own web page in the near future.

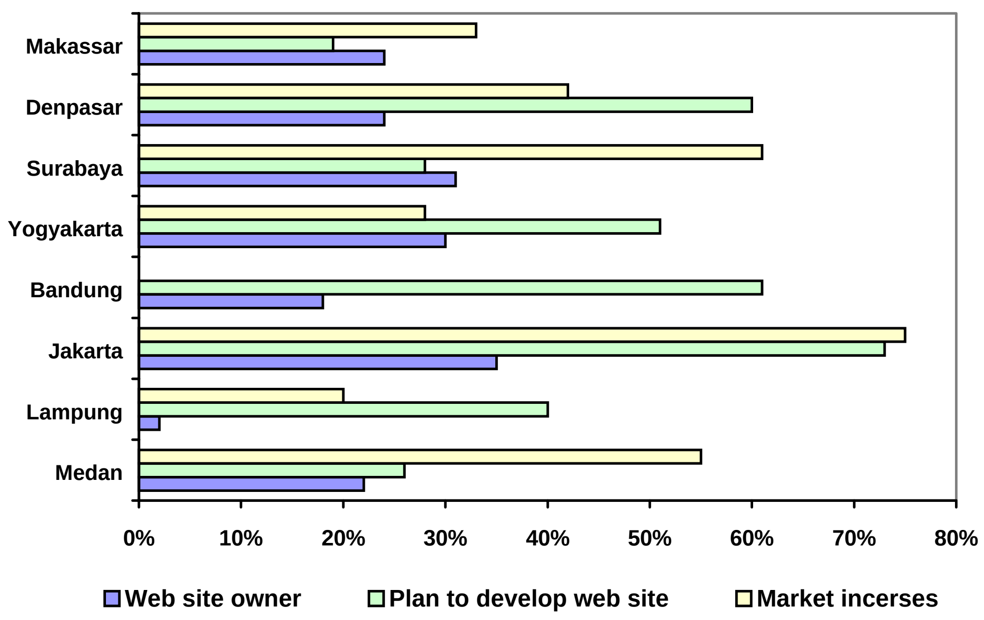
In the case of the SME exporter yearly turn over and mode of export, SME with turnover between Rp 200 million to Rp 1 billion and the direct exporter SME were among the largest web page owner. Furthermore, they also claimed that they are enjoying the advantage of an increase of sales due to having the web page. These SMEs were among the larges categories indicated to develop their own web page in the near future for marketing and promotion purpose (See Figure 3. 2. 13.).

Figure 3.2.13. Impact of Web Site Based on Different Catagories of SME Exporters



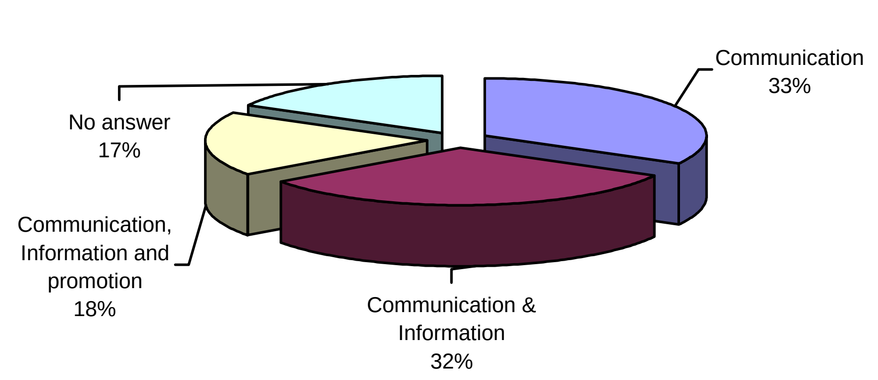
From figure 3.2.14 below, web page owner in Lampung were the smallest compared to other cities, in the bigger cities due to better infrastructure there are more SME exporters web page owner. However, the interests of developing web page were quite big in all cities. The advantage of Internet as promotion media have not widely used by the SME exporters, the majority of the SME exporters interviewed in this survey mostly were still in the communication and information level use of ICT.

Figure 3.2.14. SME Exporters Web Site User In 8 Cities



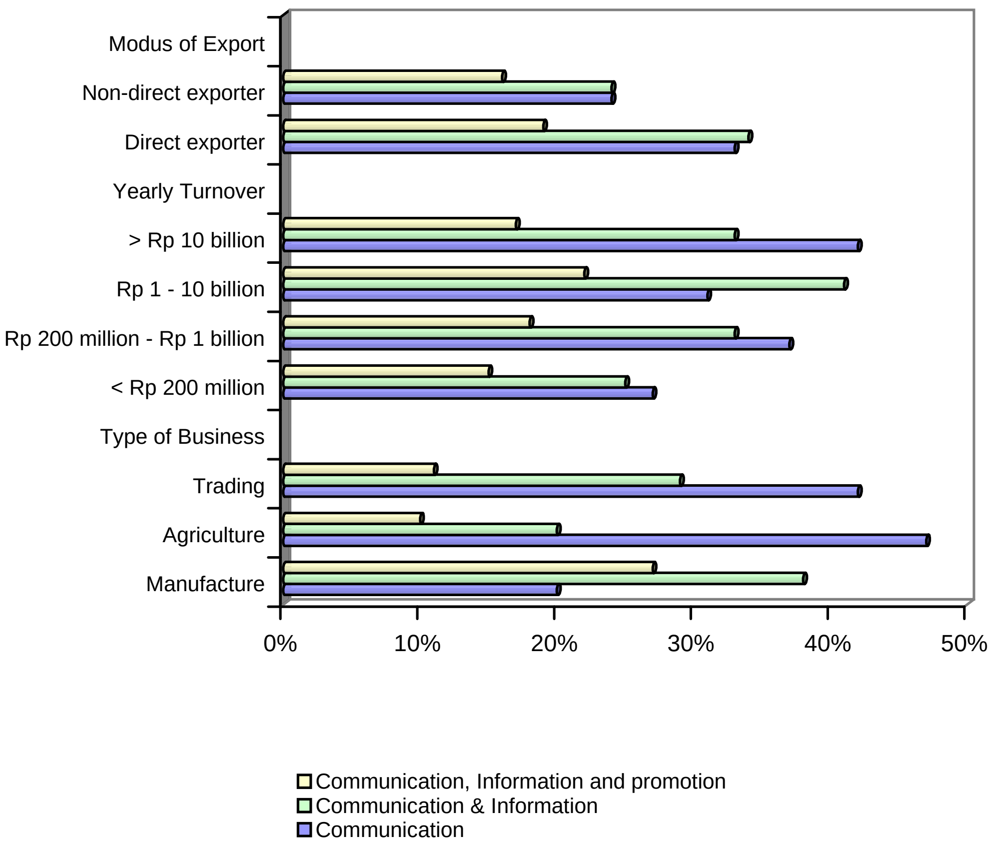
The survey also indicated that 33% of the SME uses Internet only for communication (e-mail); a similar balance (32%) of the SME uses Internet at a higher level for communication and information; and only 18% of the SME uses the Internet for communication, information and promotion purpose on their day to day business activities (see Figure 3. 2. 15).

Figure 3.2.15. Uses of Internet By SME Exporters



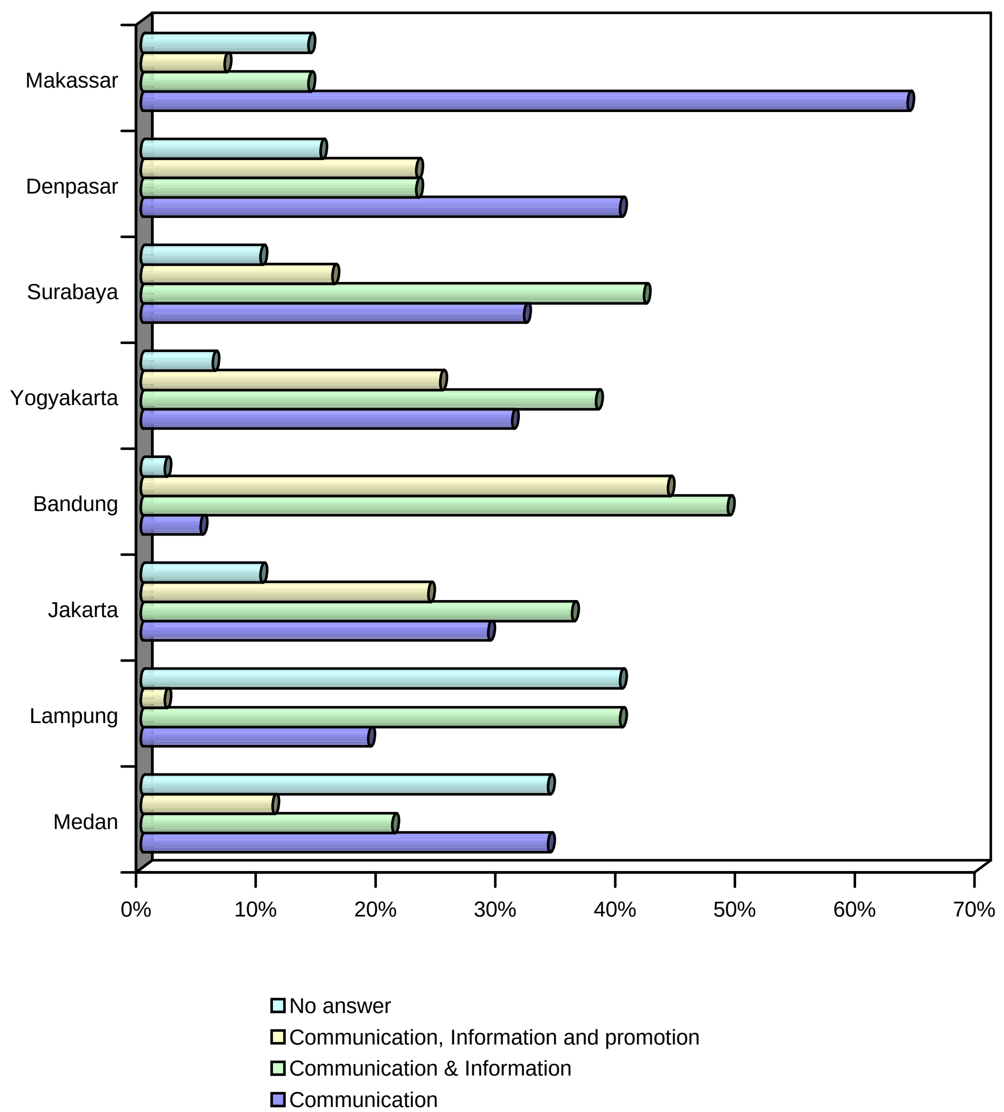
From figure 3.2.16 below, SME manufacture, direct exporter SME and SME exporter with bigger turnover were among the biggest categories of SME exporter that already using Internet as promotion media. Furthermore, SME producing handicraft and furniture (included in the SME manufacture categories) were among the biggest category in using web page as promotion tools. The figure also indicated that there is no language barrier for the SME exporter to communicate with their buyers and browsed through the Internet.

Figure 3.2.16. Use of Internet Based on Different Catagories of SME Exporters



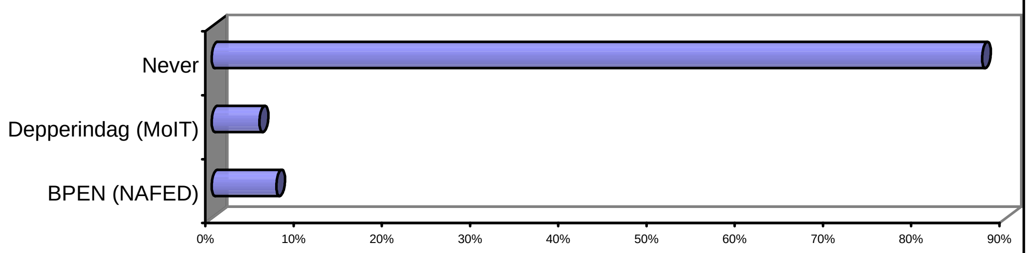
In Java and Bali, the level of Internet uses for promotion is higher in Bandung, Jakarta, Yogyakarta and Denpasar compared to the smaller cities outside. Lampung is among the lower in the list with only less then 5% of the SME exporter uses Internet as the media for promotion. Figure 3.2.17. below, also indicated that there are no significant different on the use of Internet for communication purpose in all cities.

Figure 3.2.17. Use of Internet By SME Exporters In 8 Cities



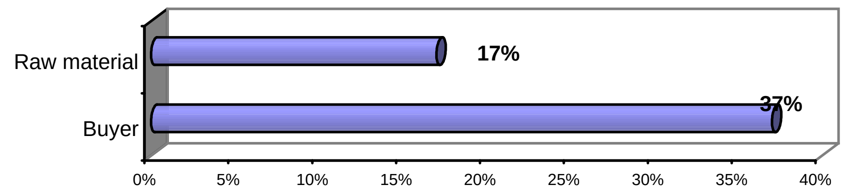
As sources of information, Internet were also used by government agencies to distribute information on regulation or business event sponsored by the government through the web site. However the outcome of the survey indicated that only 7.3% of the SME had access the web page developed by The National Agency for Export Development (NAFED or BPEN) and only 5.4% of the SME had access The Ministry of Industry and Trade (MoIT) web page. The remaining SME exporters (87.3%) noted that they have not visited NAFED and MoIT web page because there are more interested in searching market information in the Internet rather then information concerning government regulation. (see figure 3. 2. 18).

Figure. 3.2.18 SME Exporters Visit to Government Web Site



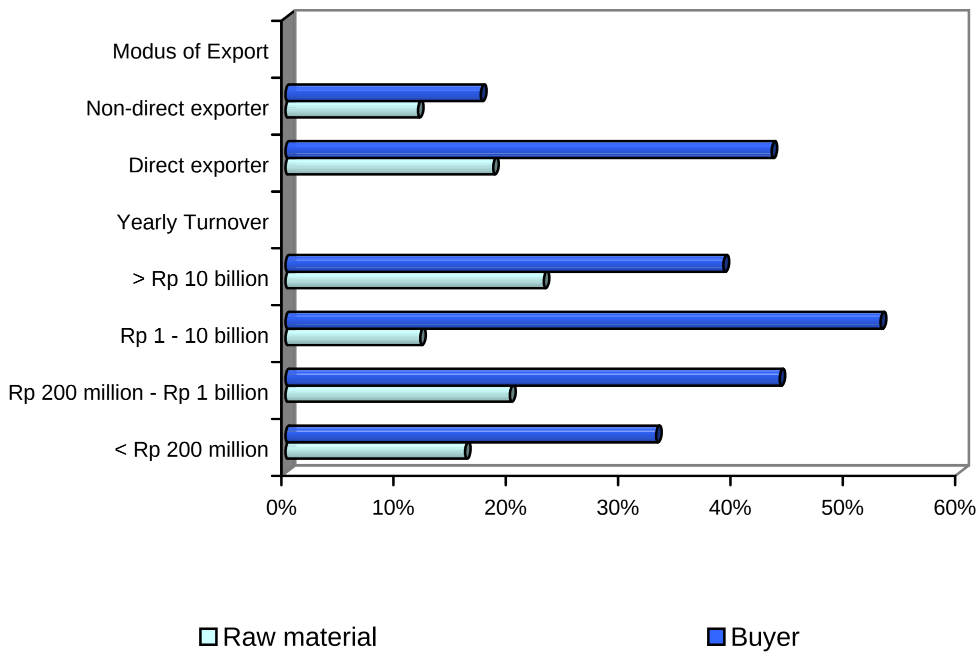
Market information in the web site is more interesting to the SME Exporter rather then information on government regulation. As buyer of raw materials and producer of finished product the exporters were also searching raw material and buyer through the web page. This study also indicated that there approximately 37% of the SME exporters claimed that they had the experience in obtaining buyer through the Internet, however, only 18% of the SME claimed that they had the experience in obtaining raw material supply through the Internet (see figure 3.2.19). This is because most of the raw material was of local content.

Figure 3.2.19. SME Exporter Access To Buyer and Raw Material Through Internet



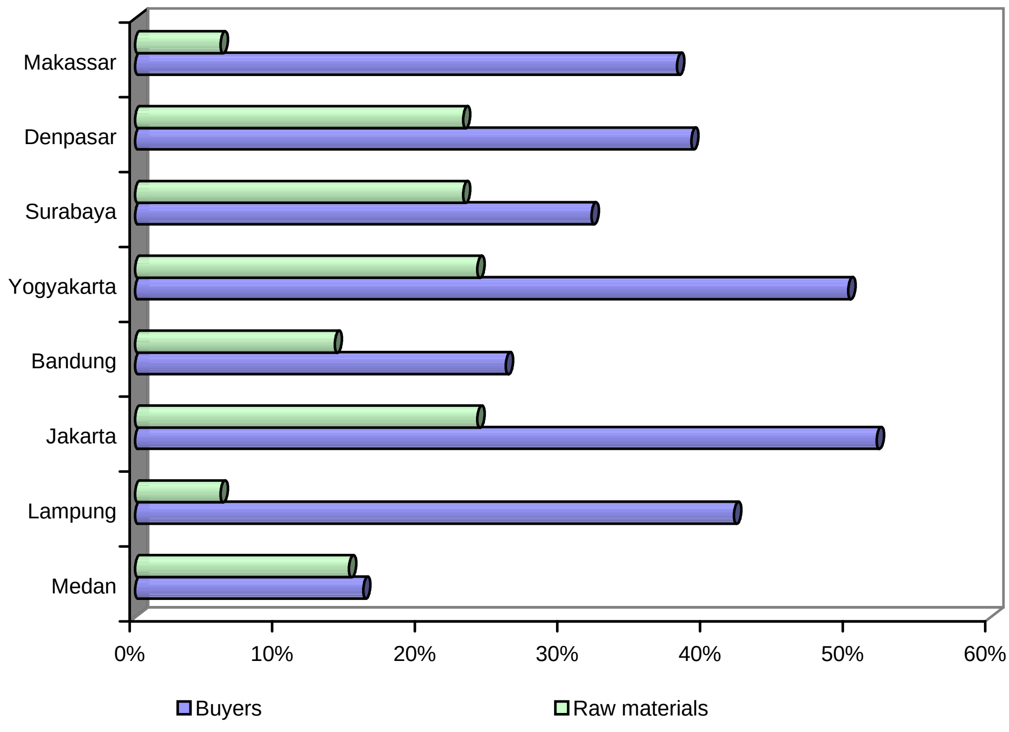
The direct exporters SME have a higher percentage on obtaining buyers from the Internet compared to the non-direct exporters. Likewise, for the SME with bigger turnover have a higher percentage on obtaining buyer from the Internet (see figure 3.2.20). Both, the direct exporter and the SME with bigger turnover, were among the higher level Internet users compared to the others.

Figure 3.2.20. Access to Buyer and Raw Material Between Different Catagories of SME Exporters



Finally, figure 2.3.21, below indicated except from Medan, the cities outside Java and Bali (Lampung & Makssar) were mainly considered as the producer or suppliers raw material. This is the main reason that less then 10% of the SME in both Lampung and Makassar have experience obtaining raw material supply from the Internet, compared to the other cities. And for the same reason that this two cities were also have a high percentage of SME exporters that are obtaining buyers through the Internet.

Figure 3.2.21. Buyers and Raw Material Access Using Internet In 8 Cities



3. 3. Perceptions of SME Exporters Toward Regional Autonomy

The implementation of the Regional Autonomy Bill (act No. 22 and 25, 1999) on January 2001, have created contradictive opinion in the society. First, is the optimistic view that regional autonomy will serve as a development tools to achieve prosperity in the regions and the other, is the pessimistic views on the ability of the human resources in the region to undertake such responsibility without adequate experiences. Implementation of a new act would generally the hand over significant impact the social, political and economy environment. Especially, since the act (UU No 22 and 25 Year 1999) objectives were to transfer authority and fiscal matter from the central government to the regional government.

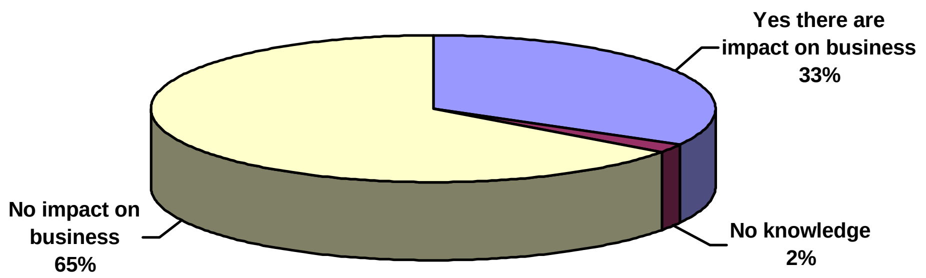
The regional autonomy bill have enables the regional government (Pemda) with a wider authority to develop regional regulation (PERDA) to dig out fund resources to support the regional budget. After almost two-year prior to the implementation of the act, there are significant tendency that the business communities were unhappy with the current changes to the business environments in the region. Local taxes and levies were among the problems that the business have to faced in running their business, there are also growing concern due to the uncertainty on which level of government agency has the authority of providing services to obtain business permit.

This part of the study will discuss the perception of the SME exporters on what has happen to their business environment since the implementation of the regional autonomy bill.

Impact of Regional Autonomy Toward Business Climate

The emerge new PERDA in almost every region directly or indirectly, in the assumption will affect the flow of business activities in the region, but nevertheless the majority of the SME exporter surveyed (65 percent) indicated that these new PERDA did not contributed any impact to toward the flow of their business. The other 33 percent of the SME exporters indicated that the business flow were affected by the new PERDA, while 2 percent claimed they do not know (see Chart 3.3.1.)

Figure 3.3.1. Impact of New PERDA on Business Climate

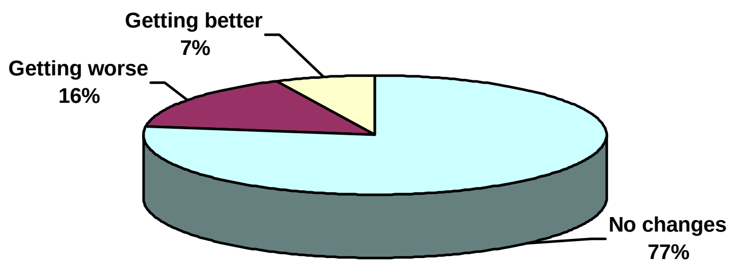


From the figure above we noted that SME exporter were excluded from the group of entrepreneur that is suffering as the result of this OTDA. The only possible reason for this is that since the economic crisis occurred in 1997 and the fall of rupiah, almost every region in Indonesia was encourage to boost export activities in the regions.

Business Climate

In the context of business climate, majority (77 percent) of the SME exporters respondent indicated that the implementation OTDA have not caused significant changes to the business climate. Nevertheless, 16 percent SME exporters claimed that business climate is getting worse and only 7 percent claimed become much better (see figure 3.3.2.).

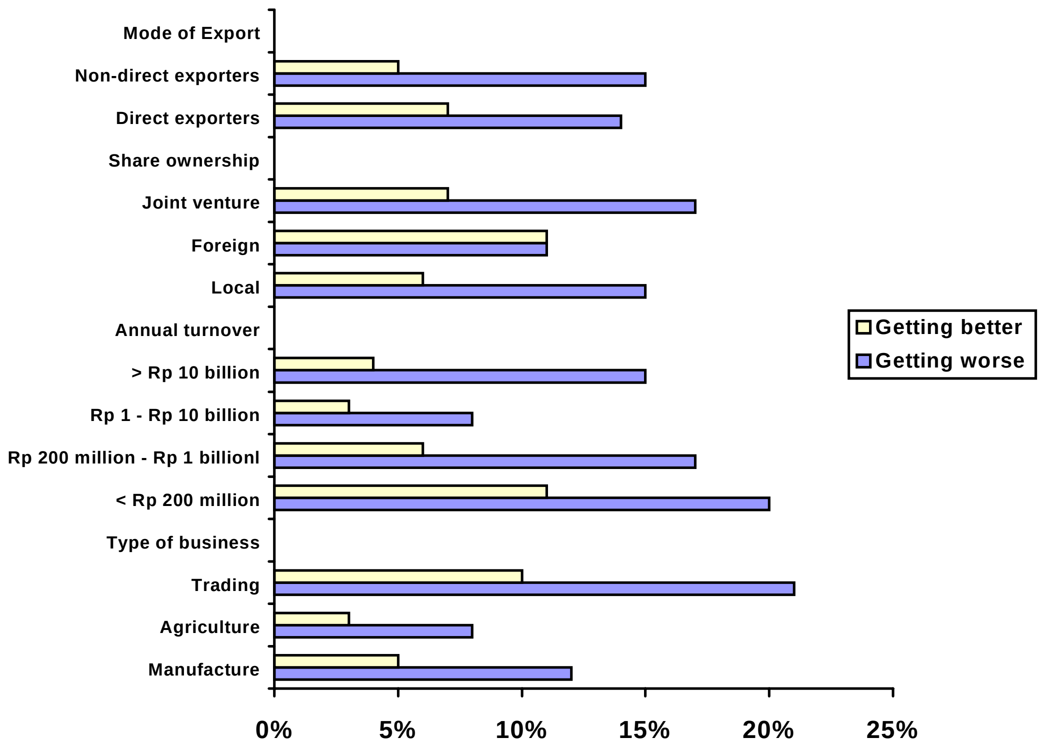
Figure 3.3.2. Business Climate Since Imlpementation of OTDA



Business Climate perspective based on different Categories of SMEs

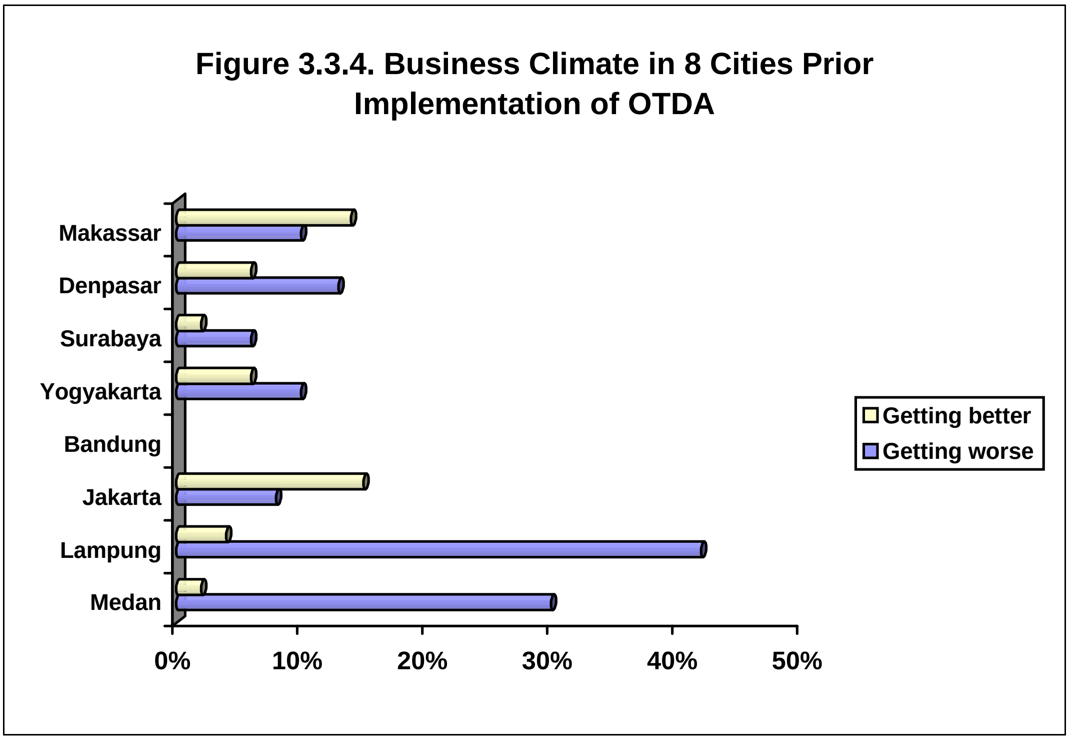
Despite the majority opinion of the SME exporters indicated that there are no change to the business climate, however, figure 3.3.3 below; show that there are different perspectives of business climate based on the different categories of SME exporters. The comers or trading SME exporters were among the main group that claimed that business climate is getting worse. Similar, the same indication by the SME exporters with smaller yearly turnover, and SME exporter operate by local shareowner. This condition is quite interesting, due to the fact that mostly foreign invertors were the one who usually complained about the business climate in Indonesia.

Figure 3.3.3. SME Exporters Responses Based on Different Catagories



City Perspective on Business Climate

SME exporter in the 8 city surveyed express different perspectives on the city business climate. Compared to other cities, the majority of SMEs in Lampung and Medan indicated that the business climate in their city is getting worse prior to the implementation of the regional autonomy. On the other hand, the SMEs in Jakarta and Makassar indicated differently, due to the lager SMEs indicating that the business climate is getting better compared to the SMEs indicating that the business climate is getting worse (see figure 3.3.4.).



Business Activities Prior to The Implementation of OTDA

Lack of effort by the regional and central government on issues concerning the implementation of OTDA is clearly marked by approximately 25 percent of the SMEs who did not understand about OTDA. Furthermore, 32 percent SME exporters indicate that they do not faced any problem related to OTDA. However, 20 percent noted that they experience increased cost of business prior to OTDA, 18 percent indicated that they are facing problem due to the uncertainty between adapting the central government regulation or the regional government regulation concerning to their business activities. Finally, approximately 6 percent SMEs were having problems due to local government discrimination on the protection of the local business (see figure 3.3.5.).

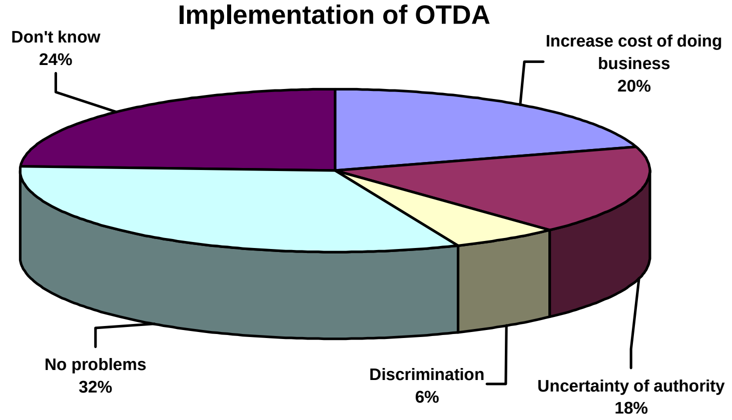


Figure 3.3.5. Problems Faced by SME Exporter Prior Implementation of OTDA

There are no significant different of perception concerning the problem mentioned above by analyzing the responses by different categories of the SME. However, based on the type of investment, it is clearly expressed from figure 3.3.6, that the foreign SME Exporters is having problem with the uncertainty of the local government in the implementation of central government or local government regulation in the OTDA era. The foreign SME exporter only constitute of 9 SME or 2 percent respondent in the survey, but the foreign company were mostly require permit from both, central and local government, and the issue of uncertainty of regulation is not conducive for the region to invite foreign investor in the coming years.

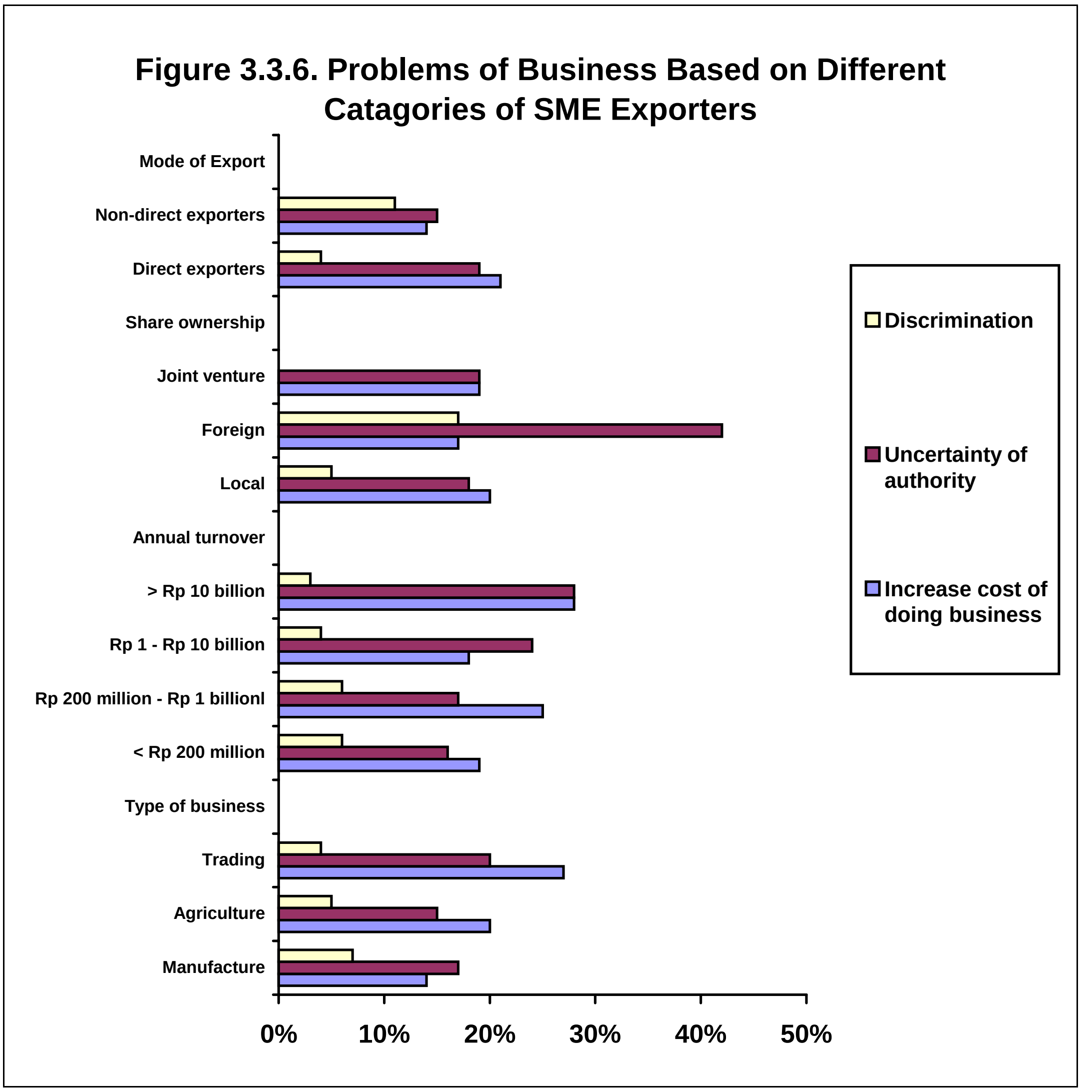
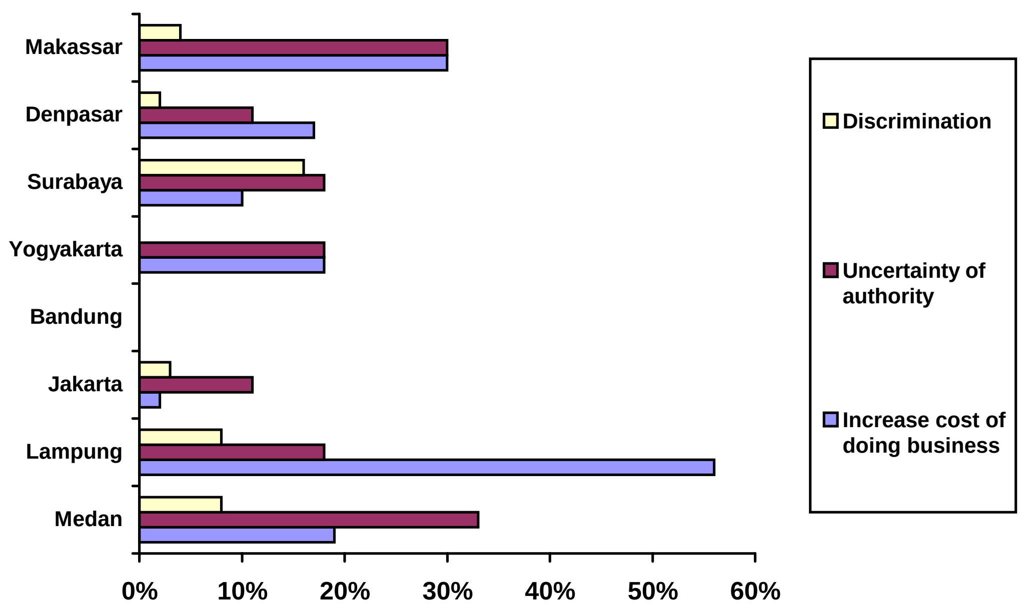


Figure 3.3.7, below indicated that the SME exporters in the cities outside Java and Bali, were having more problems compared to their friends in Java and Bali. SME exporters in Lampung, were suffering from increase of operating costs due to the new PERDA prior to the implementation of OTDA. While the SME exporter in Medan and Makassar were suffering on both, increase of operation costs and the uncertainty of regulation.

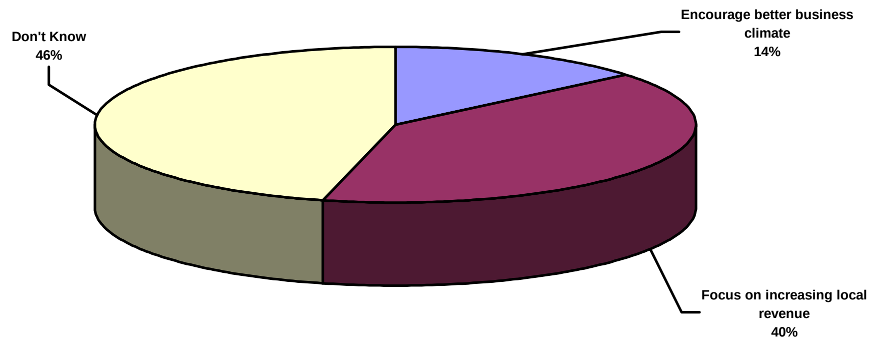
Figure 3.3.7. SME Exporter Problems in 8 Cities



Propensity of Local Government Prior to Implementation of OTDA

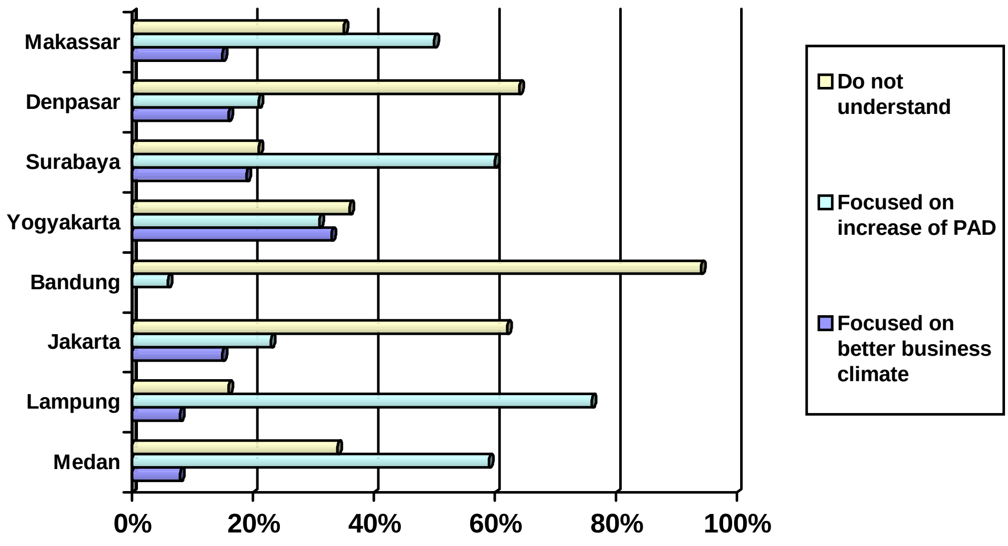
The already small local government revenue (pendapatan asli daerah or PAD) in the local government budget compared to the budget allocated from the central government were the main reason that local government setup new PERDA. For the regional government as a consequence of the small PAD they have to maximize their local earnings through available resource in the region, and the easiest way is to setup new PERDA and place local taxes or levies for the use of local utilities and facilities. The direct impact of this new PERDA is the increases of cost for doing business and at the same time the business will pass the costs to the consumer. Figure 3.3.8 below, shows 46 percent of the SME exporters have no knowledge of either the local government were more focused on increasing income from PAD or more focused on establishing better business climate. However, approximately 40 % of the SME exporters indicated the local governments were more focused in increasing income from PAD and only 14 percent indicated that the local governments were more focused on establishing better business climate.

Figure 3.3.8. Perception of SME Exporters on Propensity of Local Government Prior to OTDA



In the context of propensity of local government between the 8 cities as seen in figure 3.3.9, Lampung, Surabaya, Medan and Makassar, respectively were the most expensive place for the SME exporter to undertake their business activities. In contrast, the SME exporter in Yogyakarta has equal perception on either the local government were more interested on increasing income from PAD or more focused on establishing better business climate. However, it is quite interesting that SME exporter in the big cities like Bandung, Denpasar and Jakarta have the least knowledge on is happening on the business climate 20 month prior to the implementation of OTDA.

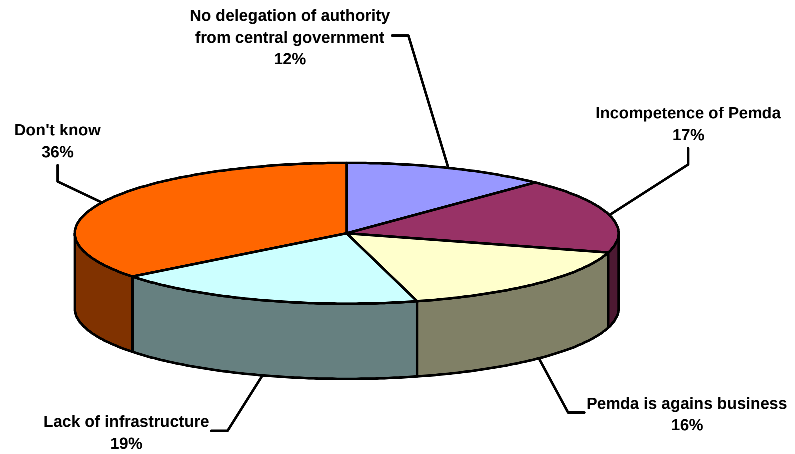
Figure 3.3.9. Perception of SME Expoters on Propensity Of Local Bureaucracy Prior To The Implementation Of OTDA



Main Causes of The Unconducive Business Climate

The adequately high answer of the SME exporters (36 percent) that they have no knowledge of the main issue associated to the business climate conduciveness, were also an indication that maybe there are no significant changes to the business climate for SME exporters, compared to the non exporters SME. Despite the above answer reason, figure 3.3.10 showed, the SME exporters indicated that lack of infrastructure and facilities (19 percent) were the main caused to the level of business climate. Furthermore, 17 percent SME noted that the local government is not capable to undertake OTDA; 16 percent SME noted that the local government were against business; and, 12 percent indicated that the central government were reluctant to transfer the authority to the local government.

Figure 3.3.10. Main Caused for The Unconducive Business Climate



Different Business Categories Perspectives On The Main Causes of Unconducive Business Climates

The availability and accessibility of infrastructure and facilities were of the most important aspect to ensure the flow of goods, especially for export. Figure 3.3.11 shows that the lack of infrastructure is the main caused for the unconducive business climate much expressed by the SMEs with higher annual turnover. It is indicated that as the export volume grows bigger there are also growing demand of the availability of infrastructure. In the context of the human resource capabilities at the region, the commerce or trader SME and the smallest turn over SME were among the categories that the local government were not capable in undertaking the responsibility of the implementation of OTDA (see figure 3.3.12).

Figure 3.3.11. Main Caused for the Unconducive Business Climate Based on Local Condition

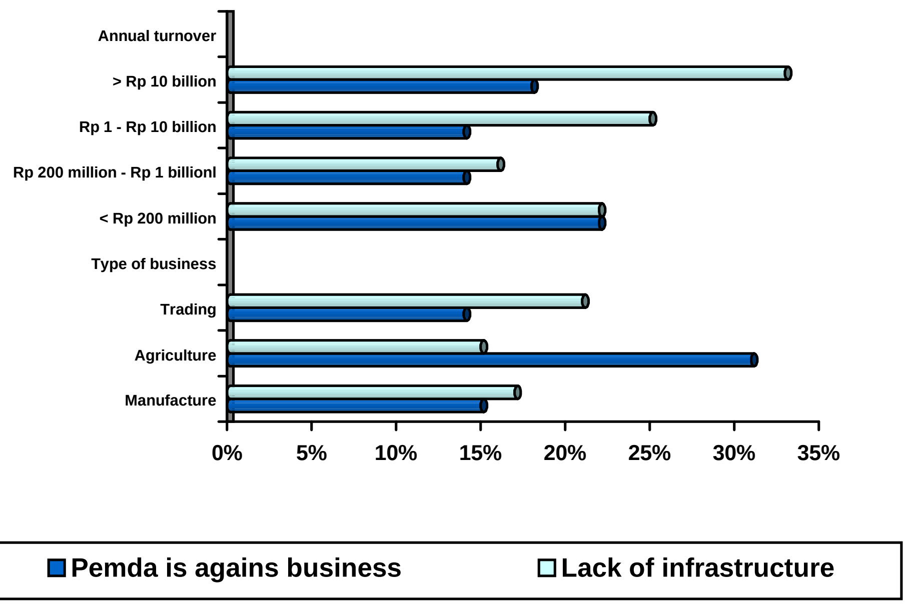
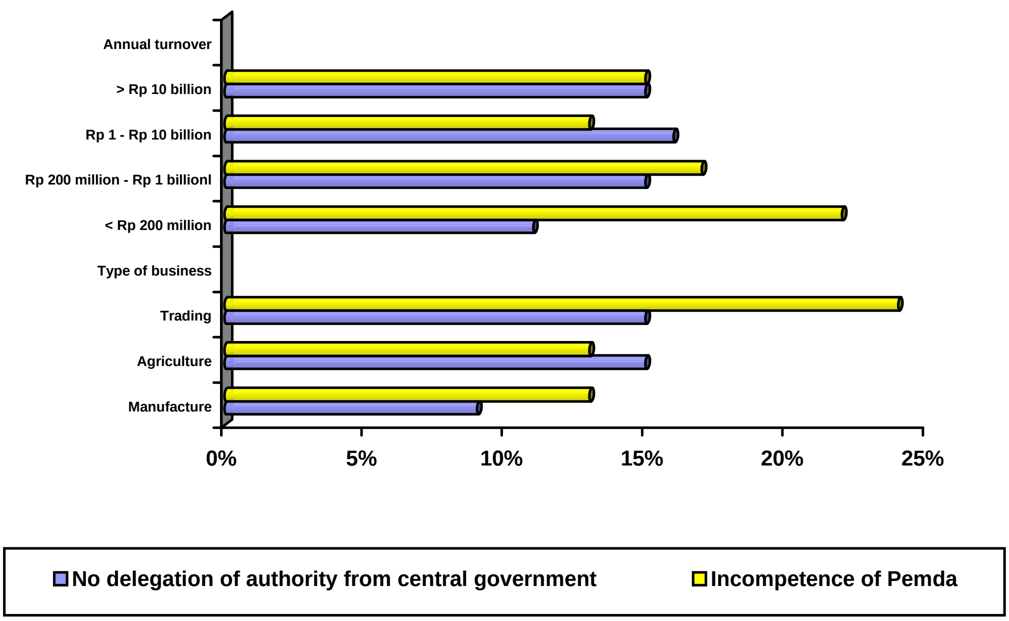


Figure 3.3.12. SME Exporters Perception on Business Climate Based on Attitude of Bureaucracy



Cities Perspective on the Business Climate

Medan and Lampung were probably have become cities that were least friendly to the SME exporters. Figure 3.3.13, indicated that while the SME in Jakarta, Yogyakarta, Surabaya, Denpasar and Makassar indicated that inadequate infrastructure were the main cause of the less conducive business climate, the SME in Medan and Lampung indicated that the main problems is that the local official were against business. Furthermore in Figure 3.3.14, indicated that the SME exporters in Medan and Lampung were also concern that the local government is not capable in undertaking the responsibility of the implementation of OTDA.

Figure.3.3.13. City Perspective on Business Climate Based on Local Condition

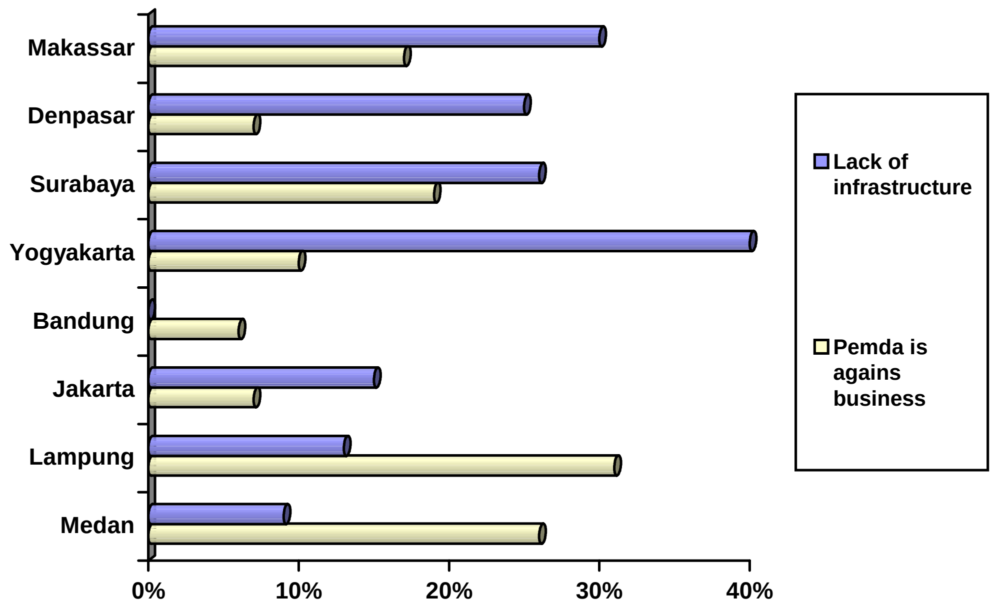
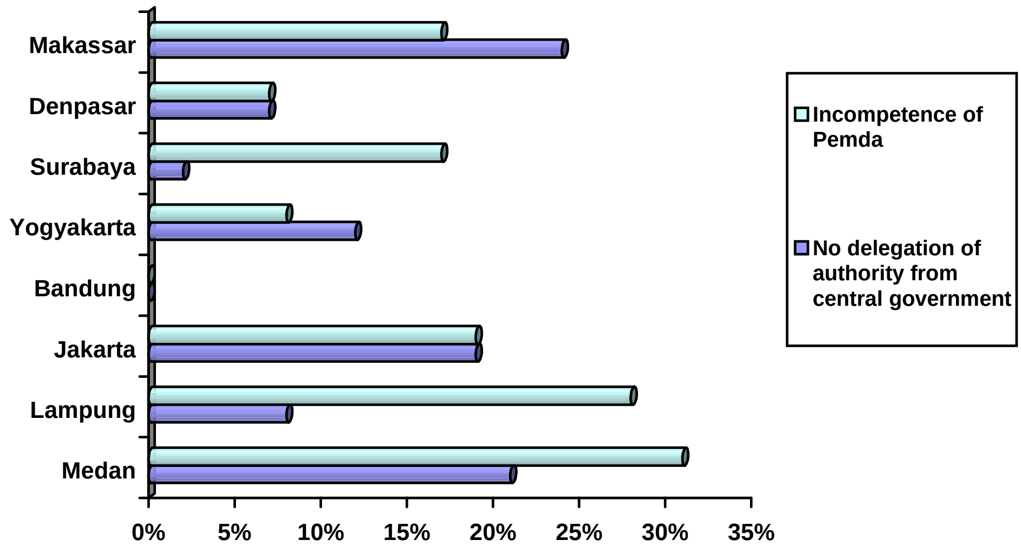
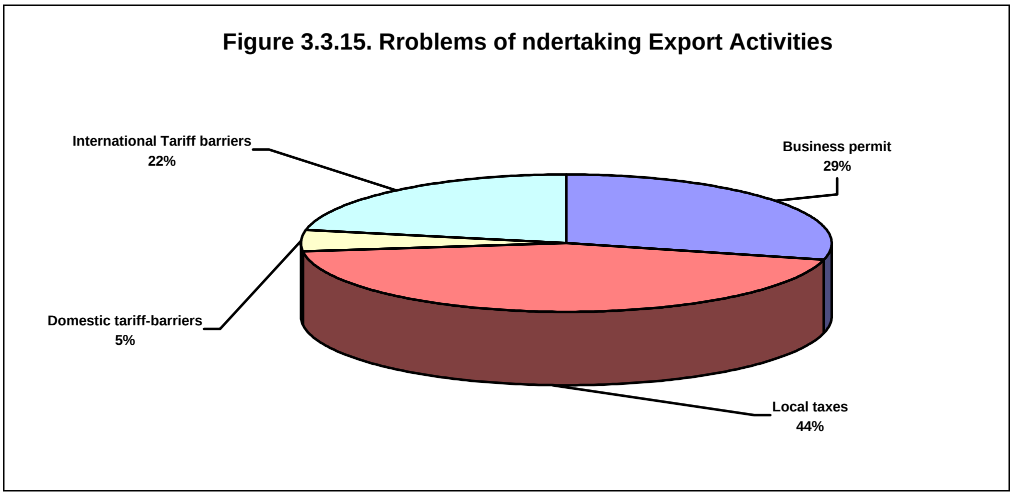


Figure. 3.3.14. City Perspective on The Atitude of Bureaucrat

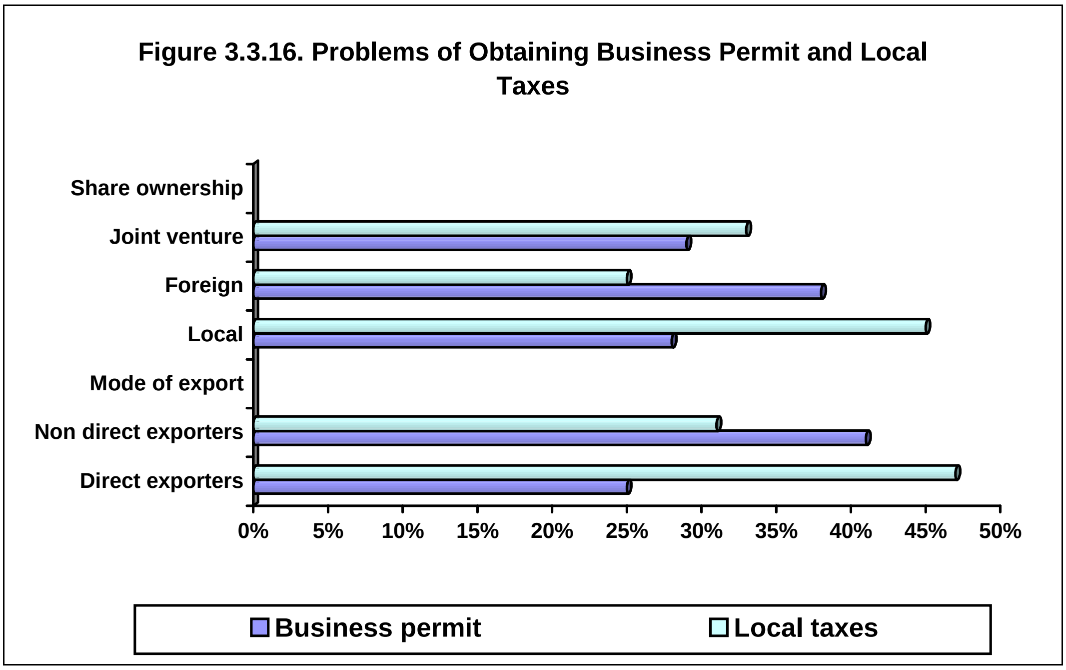


Problems Faced by SME Exporters

The formal and informal form of local tax and levies are the main problems faced by 44 percent the SME exporters in running their business. The second problem faced by the SME is due to the time and cost of obtaining different kind permit (29%) from the local government offices. Thirdly, is the international non-tariff barrier (22%) and lastly, is the 5 % due to domestic non-tariff barrier (see figure 3.3.15).

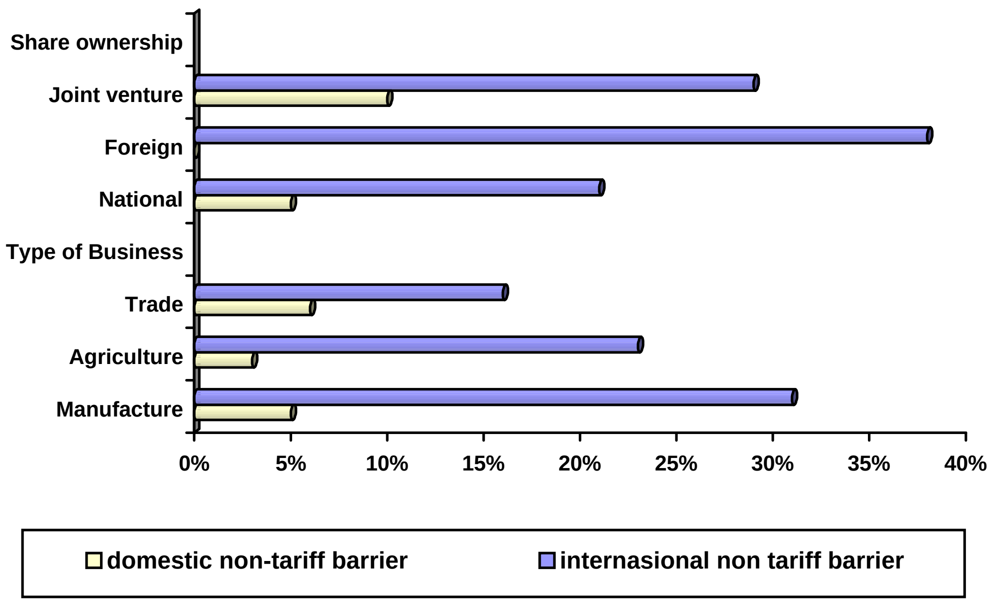


In the context dealing the bureaucracy of obtaining different kind and sometime different layers of permits, the non-direct exporter SME and the foreign SME exporters indicated that the main problem in undertaking their export activities is when they have to apply permit form the government office. This is quit different from the other categories of SME exporters who claimed that the biggest problem they have to face is having to pay different kind of local tax and levies (see figure 3.3.16).



Despite bureaucracy barriers, the non-tariff is also one of the obstacles of the flow of goods from Indonesia. The international non-tariff barrier includes, quality and international standard, environment or eco-label and hygiene or product sanitary. Figure 3.3.17, below indicated that even for the foreign SME exporters the international non-tariff barrier were the highest problem faced by them. However based on the type of business, the manufacture and the also indicate that international non-tariff barrier were part of the main problem they have to faced in undertaking their export activities.

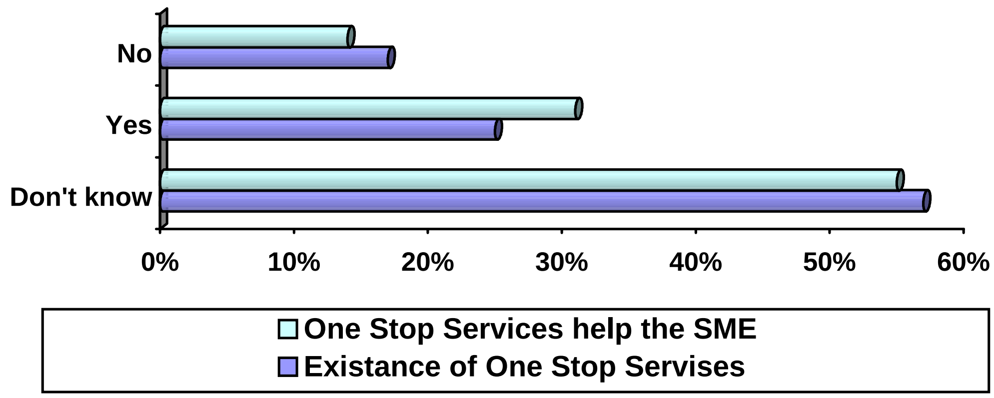
Figure.3.3.17. Domestic and International Non-tariff Barriers



One Stop Services

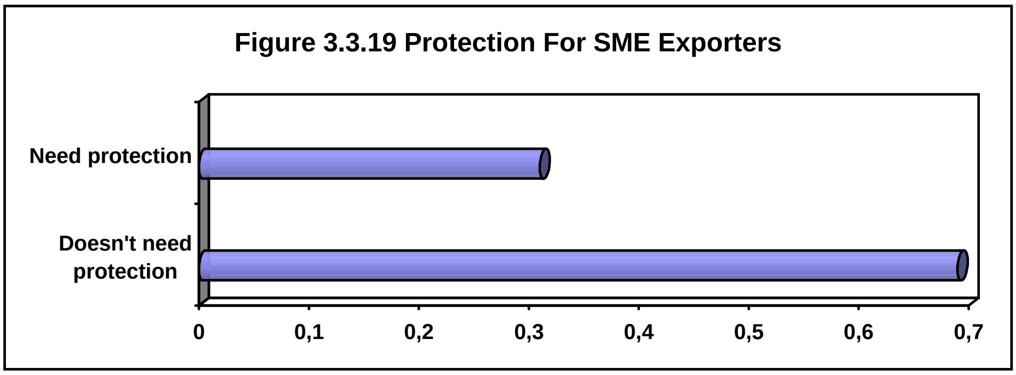
The main function of the One Stop Services or Unit Pelayanan Terpadu (UPT) is to provide transparent, effective and efficient services to the communities. The main advantages of having One Stop Services facilities, is that applying and processing such permit sometime require different supporting from different agencies, but through One Stop Services, that the application treated as a package and the applicant no longer have to go to the different office to obtain the supporting document. Figure 3.3.18, indicated that the majority (58 percent) of SME exporter have no knowledge of the existence of One Stop Services in their own city. Furthermore, only 31% of the SME indicated that the One Stop Services unit has help them to acquire business permits and 14 percent indicated that One Stop Services unit has not help them to acquire business permits. It is illustrated that the government socialization of the services provided by UPT to SME exporters is still inadequate.

Figure 3.3.18. One Stop Services



Protection Toward SME Exporters

Protection given by the NEW ORDER to the big companies was a big disaster and has failed to establish a strong economic foundation in Indonesia. The SME who have never really enjoyed protection from the government before, in this study have also stated similar statement that the majority 63 percent of the SME exporter claimed that they do not need protection in running their activities.



The SME further indicate that with the global economy facing them ahead, the government should avoid giving any form of protection to any segment of the business. The most important aspect for the government is to provide a fair and conducive business climate, to allow competition and let the market lead. The kind of protection that was asks by the SME exporter is mostly related to the security aspect, such as security and safety, rather then the economic way of protection.

4. CONCLUSIONS AND RECOMMENDATIONS

As discussed in the previous chapter, that the majority of the SME exporters interviewed in this survey were the Internet user of SME and mainly consist of the direct SME exporters. Having said that, the finding and recommendation in this survey were exceptionally related by the characteristic of the respondent, nevertheless, the finding of the survey concerning the use of ICT by exporters and the impact of regional were justifiable due to the increasing awareness and use of ICT for business purpose in Indonesia.

4. 1. Conclusions

The Use of ICT By SME Exporters

1. Computer has already become standard equipment used by the SME exporters in the eight cities surveyed, due to the fact that approximately 85 percent of the SME respondent in a different level already used computer to support their business activities. Nevertheless, only 60 percent of the SME exporters have utilized the computer to the level of administration, management and Internet. Furthermore, the majority of SME exporters (61 percent) have 1 – 5 computer in their office and this is the reason that only 43 percent of the SME exporters have installed local area network or LAN in the office. Geographic factor and the availability of telecommunication infrastructure and facilities were the main barriers of to the level of ICT uses by the SME exporters, the SME computer user in Java and Bali (Jakarta, Bandung, Yogyakarta, Surabaya and Denpasar) were higher compared to the of Java and Bali cities (Medan, Bandar Lampung and Makassar).

2. Majority of the SME exporters (89 percent) claimed that they already possess adequate knowledge of the uses of ICT for business and support for their communication, information and promotion needs. Furthermore, the majority of the SME exporter (71 percent) were subscriber of the local Internet services provider (ISP). Base on the above figure, this survey concluded that the SME exporter were quite advance in use of ICT compared to the overall ICT user in Indonesia.

3. The main reason for SME exporters on the use ICT is because Internet is more practical, effective and efficient media compared to the traditional means of communication by telex, phone, facsimile transmission and the use of courier services for document delivery. Secondly, the use of ICT have enable SME exporters to obtain wider information on new product, supplier of raw material web site, and demand of product, simply by clicking the small mouse and looking through monitor. Lastly, for the SME exporters it is also equally important for them to communicate with the same media and level of technology with their buyers. In the context of placing the SME into different categories, the manufacture SME exporters and the direct exporters SME were among the highest user of ICT in the categories.

4. The SME exporter in the cities outside Java and Bali (Medan, Bandar Lampung and Makassar) has a lower computer and Internet user compared to the other 5 cities in Java. The use of ICT is highly depended to the availability of basic infrastructure and facilities such as: availability and quality of phone line in the area; number of computer and phone line owned by the SME exporter; and, the availability of ISP in the area. It is clearly indicated by the survey that cities with better infrastructure and facilities have more ICT user SME compared the cities with less infrastructure and facilities.

5. The main reason of not using Internet indicated by the non Internet subscriber is mainly because, the have not seen the advantages on using Internet for business. They indicated that the business is currently running well even without the use of Internet. Secondly, it is difficult to obtain additional phone line due to the limitation of the telecommunication infrastructure and facilities in the area. Lastly, SME exporter notes that in order to use Internet, they have to add additional cost to purchase equipment and hire new staff. Furthermore, the level of Internet accessibilities among SME exporter staff is still low due to the limitation of computer and telephone line in their office. Access to Internet were mainly only used among the mid level staff, except for the medium scale exporter with better office equipment and facilities.

6. The existence of ***Café Internet or "Warung Internet"*** in Indonesia is significantly important for the SME exporters. The smaller turnover SME exporters, SME traders, and the non-direct exporter SME, were among the user of Warnet to communicate with their buyers or business partner. The above situation clearly indicates that the SME exporters were quite flexible in removing barriers to undertake their business activities.

7. Web site ownership of the SME exporters is still small (only 25 percent of the SME surveyed), but nevertheless almost 50 percent of the SME exporters indicated that they are planning to develop their own web site in the near future for promotion purpose. SME exporters that produce handicrafts and furniture were among the main web page owner compared to the other categories of SME exporters. Furthermore, these website owner also indicated that web site is a quite effective promotion tools to increase their market. However, price war among similar producer and also violation of property right were the disadvantages that experienced by the web site owner among SME exporters. Currently SME exporters in big cities (Jakarta, Yogyakarta and Surabaya); SME manufacture; SME direct exporter; and SME with bigger turnover, were the main owner of web site,

and the main reason for having this web site is to reduce the cost of promotion and marketing and delivering promotion material.

8. The level of Internet use in the SME exporters is divided into three categories that indicate: the lowest level (33 percent), utilized Internet for communication only (e-mail); the second level (32 percent), utilized Internet for communication and marketing; and the third level (18%) utilized Internet as a communication, marketing and promotional tools. Furthermore the third level of Internet users were from the SME manufacturer, SME direct exporter; and SME with bigger turnover.

9. Exchanges of information on government regulation by the SME exporters were mainly through business partner or by direct visit to the government office. To date government web page is not an effective tools for distribution on government program or new rule and regulation set by the government. Only small portion of SME exporter ever visited Pengembangan Ekspor Nasional (BPEN) and Office Perindustrian and Traffic (Depperindag) web page. SME exporter were mostly interested on market search trough the web site rather then visiting the government web site.

Business Climate Prior To The Implementation Of The Regional

Autonomy Bill

10. The SME exporters indicated that there are no significant changes to the business climate prior to the 20-month implementation of the regional autonomy bill (UU No. 22 and 25) since January 2000. However, 16 percent of the SME indicated that the business climate are getting worse, especially by SME exporters in Bandar, Lampung and Medan. In contrast, only 7 percent SME exporters indicated that

the business climate is getting better, which and mostly indicated by the SME Jakarta and Makassar.

11. Majority of the SME exporters surveyed (65 percent) indicated that the new regional regulation (Perda) had no direct impact to their business activities and only 33 percent indicated that the Perda is affecting their business activities. This situation is highly contradiction to the common result of the survey conducted by other agency, however, this condition is probably due to the fact that currently regional governments are increasing their effort to increase regional export by removing barrier on export activities.

12. The SME trader (trading company) and the bigger turnover in SME exporters mostly indicated that since the implementation of the regional autonomy bill, the cost of business have significantly increase due to the new PERDA, issued by the regional government. Especially for the exporters with bigger turnover and as a major concern of this issue were indicated by the SME exporters in Bandar Lampung. In contrast, the foreign SME exporters were having new problems due to the uncertainty from the local government, either to implement the new PERDA or to implement the old regulation from central government, and this problem was also indicated by the SME exporters from Medan and Makassar.

13. The adequately low level of understanding of the SME exporters about the new autonomy bill is clearly justify base on the 46 percent response by the SME saying "they have no idea" when ask whether the regional government were more focus on increase of regional earning (PAD) instead of more focus on the establishment of conducive business climate. Nevertheless, 40 percent of the SME exporters indicated that the regional government were more focus on increase of regional earning (PAD), compared to only 14 percent who indicated that they are more focus on increase of regional earning (PAD).

14. There are four main cause problems to the conducive business climate in the region, the first is the condition of regional infrastructures and facilities as mostly stated by the foreign SME exporters, especially in Yogyakarta and Makassar. The second is the competency of the regional government to undertake the task of regional autonomy, as mostly stated by the joint venture and comers (trading) SME exporter, especially in Medan and Bandar Lampung. The third, the regional government is against (anti) business as mostly stated by the non-direct SME exporter, especially in Bandar Lampung and Medan. The forth, the central government were reluctant to transfer the authority to the Local government as mostly indicated by SME exporters in Makassar and Medan.

15. The direct problems faced by the SME exporter in undertaking the export activities, were still due to the increase of production costs due to high local tax, levies and high cost to obtain business permit. Furthermore, the international non-tariff barrier due to standard and quality problems, and mostly stated by the foreign SME exporter.

16. The inadequate effort by local government to provide information and services regarding the business permit and licenses is seen by only 42 percent of the SME exporter were aware either there are a One Stop Services is available in their area. Furthermore, only 31 percent of the SME indicated that the One Stop Services have significantly help them in obtaining business permits.

4. 2. Recommendations

The Use of ICT By SME Exporters

1. The development of information and communications technology will only be achieve if supported by adequate infrastructure and facilities. Government should prioritize the development by harmonizing and reducing gap of infrastructure and facilities between the regions. Furthermore, to increase the pace of development, the government should reduce the barriers and provide wider access of global information to the regional communities.

2. The ability to pay is the main barrier for the ICT accessibility of SME exporters to utilize the advantages of ICT for business purpose. Government should encourage investment and remove the barrier on ICT to increase the ability to pay of the community on ICT equipment and facilities.

3. The government should provide better services to the business communities by undertaking a proactive approach and use ICT (Internet) media as a direct information center. This could be established by sending regular electronic mail (e-mail) to the SME exporter regarding new regulation or government sponsored event. On the other hand the exporter could send feedback to the government regarding problems faced by the exporters and help the government by their participation on establishing sound business policies and a conducive business climate.

Business Climate Prior To The Implementation Of The Regional Autonomy Bill

4. Even if the implementation of the regional autonomy bill have not caused significant impact to the export activities, however, serious attention on the services delivery regarding business license and the use of public facilities to ensure efficiency to the flow of goods and services.

5. The low public awareness of the impact of the regional autonomy bill to the regional economic development is less threat compared to the uncertainty situation created by both, local and center government on the implementation of the regional autonomy bill, because this situation would lengthen the economic crisis and lower the regional ability to faced the global economy.

6. The achievement of smooth transitions from a central planning to a decentralized government policy is to measure by how well the regional government can manage the region, but will greatly measure by the ability of the regional government to establish economic relation with other region or other foreign country. This will only be achieving through community participatory in the establishment of government policy and regulation. The regional autonomy bill should focus on how regional government utilize their natural resources by allowing a better business climate for export and other economic activities.

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